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AN ECONOMIC HISTORY OF
SOVIET RUSSIA

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AN ECONOMIC HISTORY OF SOVIET RUSSIA

By
LANCELOT LAWTON

VOLUME I

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PREFACE

My aim has been to give a detailed and an objective account of the outstanding economic ideas and events of the Russian Revolution in such language as will be understood not only by economists, but also by those who, while they have no special knowledge of economics, yet take an interest in the subject.

The Revolution has now lasted nearly fifteen years. Under present conditions little information of a trustworthy character can be gained from a short visit to Soviet Russia. Only by patient study is it possible to follow the course of the Revolution, and ascertain the changes which it has brought about.

One or more chapters are devoted to each economic year, but occasionally this order is interrupted and one or more chapters are introduced dealing at length with subjects which call for special treatment. Whilst such method has been imposed upon the author by reason of the fact that the Revolution is still in being, the hope may be expressed that it will enable readers to understand clearly each stage in the progress of events.

I have had the continuous assistance of my wife, Lydia Alexandrovna, who graduated in political economy and commerce at St. Petersburg [*Demidovskia Koursy*]. Mr. Igor Zacopanay, B.A., has also given me invaluable help in reading proofs and translating material.

L. L.

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RUSSIAN WEIGHTS AND MEASURES AND THEIR ENGLISH EQUIVALENTS

- I Verst = 0·66 mile = 3500 feet.
- I Sajen = 7 feet.
- I Arshin = 2·33 feet.
- I Dessiatin = 2·70 acres.
- I Pood = 36·11 pounds avoirdupois.

CHAPTER I

THE PRELUDE TO REVOLUTION

IN their search for the origins of the economic situation that existed at the time of the revolution many writers do not go back farther than 1861, holding that the manner in which the serfs were liberated in that year rendered upheaval, if not unavoidable, at least probable. That this date was decisively important cannot be denied; but if the deep roots of the revolution are to be exposed, earlier events should be studied, for serfdom as well as the prelude to it influenced in no small degree the conditions and consequences of Emancipation.

The dominating circumstance prior to serfdom was Russia's desperate struggle with the East. This struggle, which lasted for several centuries, was gigantic, continuous and exhausting. Because of it settled life was impossible; masses were transformed into homeless wanderers. The stress of continuous war with the East was intensified by intermittent war with the West. Whereas other nations, safe from Asiatic aggression advanced, Russia receded, losing ground which she was never able to recover. The task chosen by fate for her was on a parallel with that fulfilled centuries before by Byzantium, whose heir she believed herself to be. Byzantium, too, held at bay barbarian hordes, whilst the nations of the West made progress. But here the comparison ends; for Byzantium succumbed and, in succumbing, transmitted the culture of the ancient world to those races of the West whom Russia was destined one day involuntarily to defend.

During the epoch of Russia's war against Asia, military

leaders in large numbers were indispensable. The state had no means of rewarding them other than by grants of land ; hence a class upon whom the peasants depended came into existence. A considerable proportion of these peasants, weighed down by debt, sank into destitution. When, therefore, in the sixteenth century, Tartar dominion was overthrown, the freshness and fertility of the newly-conquered territories attracted them. Empty-handed, they fled thither in masses, only to plunge into debt not less deep than that from which they had just escaped. Nominally they were free, but freedom in such circumstances was a mockery. Wherever and whenever it occurred the ruin of the peasant involved the ruin of the landlord. At the end of the sixteenth century the state, apprehensive for the fate of those upon whom it relied for military leadership, took measures to restrict the right of "removal" ; that is to say, to restrain tenants from absconding. Thus unconsciously was laid the foundations of the system of serfdom that developed in succeeding years. During the two centuries or more of the existence of this system, agriculture remained primitive. Most peasants consumed nearly all that they produced ; communications were sparse, markets few and localised, exports of little value. At times popular discontent took the form of active revolt. In 1670 Stenka Razin and in 1773 Pugachev led risings in which brigandage played a great part, and both achieved fame as the first heroes of the Russian revolution. Here it is of interest to note that whilst aggression from below always failed to dislodge the upper classes, these classes were not infrequently destroyed from above, that is, at the instance of despotic rulers.

Regarded from the point of view of the state and of most individuals serfdom was an economic failure. If while it lasted a certain number of landlords farmed profitably it was only because they had cheap labour and human assets at their disposal. By the end of the reign of Nicholas I (1855) seven out of eleven million male serfs had been mortgaged. When six years later Emancipation came,

Russia was a backward country in all material respects. Nearly the whole of her population was engaged in agriculture; connections with the outside world and within the country itself were ill-developed; only fourteen hundred miles of railway existed; produce was largely consumed on the spot where it was grown; the value of all exports was not more than twenty million pounds; and workers in factories numbered but 400,000.

The lateness of serfdom was the measure of the retardment of Russia. In England serfdom in the true meaning of the word had died out three centuries earlier; in democratic America slavery lasted some years longer than did serfdom in despotic Russia, and was only abolished as a consequence of terrible civil war. In England long after serfdom had been got rid of, up to the time of the Emancipation in Russia, conditions of labour were abominable. Children, many of infant age, were employed for long hours in factories and mines on tasks that frequently resulted in deformity. Both parents and masters connived at this outrageous exploitation; the social conscience then was darker than it is now. In Russia also, long after serfdom was abolished, labour conditions remained abominable. It could not be otherwise; having fallen centuries behind in the Middle Ages, Russia could not recover suddenly in 1861 by means of a ukase.

The economic condition of the country was such that the landed proprietors as a class could hardly have survived had the terms of Emancipation been too liberal. Yet the claim has been made that such terms were far more generous than those which other countries had ceded to their serfs. Some peasants received as much land as they had held under serfage, others either more or less than they had cultivated then. The last-mentioned category amounted to one-third of the whole peasantry. If all the land available, including that belonging to the state, had been handed over to the peasantry, this category would have been smaller, yet still considerable.

While, if statistics are dependable, the majority had no cause to complain of the quantity of land which they received, all suffered from the harshness of the financial liabilities imposed upon them. The state loaned the greater part of the purchase price, and although payments were subsequently reduced they proved to be insupportable; indeed, in the opinion of many experts they frequently exceeded the utmost possible value which the land could yield. Yet it could not be said that the landowners profited greatly; for they were paid in bonds which in the course of time depreciated heavily.

The hardship of the peasants' lot was in some respects increased by the form of tenure chosen. Over the greater part of the country this form was the *obstchina* or village commune. Land was held in common and divided according to the labour capacity of each household. Such division determined individual contribution to taxation, which was a collective responsibility, as was also the repayment of the loans received from the state. No individual could leave his village and relinquish his share of these mutual obligations without the consent of his fellows, that is of the commune. In order to take account of the diminution or expansion of population, land was subjected to periodic redistribution.

There was much speculation concerning the origin of the *obstchina*. In later years the subject became one of political as well as of historical interest. It was then sought to prove that Russia had never known any other than a communal system, and that therefore socialism was natural to her. Historians were divided. One school declared that the village commune was as old as the beginnings of history; another that it developed only towards the end of the eighteenth century. Although Kliuchevski noted the existence of the commune in the sixteenth century, he said that the peasant was not then bound to it nor yet to his land; but, as has been said before, this freedom was illusory, for the tenant was tied to the landlord by virtue of debt. Kliuchevski added that "the

system gradually engendered the ideas and customs which later and under different conditions came to lie at the basis of *obstchina* tenure." The "different conditions" alluded to were forced labour and compulsory distribution of lands in proportion to personal labour efficiency.

During serfdom estates were co-operative or communal enterprises of a crude kind, administered by autocratic masters who appropriated most of the revenue for themselves. Up to 1762 the state still nominally owned the land, the peasants cultivating it for a rental which was paid to the gentry as a reward for the services which they gave to the crown; and the gentry, in addition to rendering such service, accepted responsibility for the maintenance of order, the payment of taxes, and the supply of recruits. In 1762 the serf-owners were freed from compulsory service to the state, but not the serfs from bondage to the owners. This discrimination was criminally unfair. The right of one man to possess another had originated as reward for obligatory service to the state. Since such service was no longer demanded the continuation of so odious a privilege as serf-ownership could not be justified. Thereafter the proprietorship of the land passed from the state to the owners of the serfs, and in the course of time many of the peasants worked not on rented plots but on the estates of their masters, or part time on each.

The changes that took place during this epoch embittered the peasantry. Despite the circumstance of their bondage they felt that so long as they cultivated the land mainly for themselves it belonged to them; and down to the time of the great revolution they never got out of their heads the idea that it was really theirs and that they had been cheated out of it. Not less disappointed were they at the perpetuation of their enslavement when not the least excuse for it could be pleaded.

After the Emancipation the population as a whole increased rapidly; this growth was greatly stimulated by a system that assured land in the future to the new-born; but the ultimate consequence was disastrously to diminish

the size of all individual holdings. These individual holdings consisted of strips of open fields. Often the strips were small and numerous, and the fields in which they were contained remote from the village. In addition to being inconveniently placed, holdings were unbalanced, the proportion of arable to pasture being excessive.

Emancipation was followed by upheaval. Many landed proprietors accustomed to cheap labour were ruined. Manorial houses were abandoned or converted into factories. Estates were neglected or sold to speculators. Beautiful gardens went out of cultivation and fine trees were cut down. Peasants misused their newly-won liberty and committed excesses that foreshadowed the revolutionary delirium of half a century later.

Of permanent consequences the most profound was the multiplication of classes. In the village the new conditions made for differentiation. Labour could be hired, land leased or hired. Many peasants took advantage of these circumstances, in some instances leasing land which had formed part of their own allotments under serfdom. From this number emerged middle and well-to-do categories; but the middle was hardly distinguishable from the poor; and both could only survive by reducing their wants to a low level. Many entered the service of peasants who could afford to employ them, or of landlords whose serfs they had once been. Others abandoned their holdings and fled to the towns. Thus the proletarianisation of the peasantry began, that is to say, in growing numbers they ceased to support themselves from their own plots and became wage-earners on the plots of others. At the same time there appeared on the scene a bourgeoisie, recruited from the merchant, petty noble and priesthood sections of the community, from which the first leaders of revolution sprang. The formation of classes in Russia during the period following upon Emancipation has been compared with that which took place in England during Tudor times. Here again Russia lagged several centuries behind the West.

Economically the most important consequence of Emancipation was the development of industry. Historically the origin of industry and the proletariat belonged to the eighteenth century. It was then that Peter the Great established what for those days were considered large-scale factories. The state retained management of some of these factories, handing over others to private owners whom it subsidised. In both instances labour was conscripted from the peasantry of state domains. This system of forced industrial labour survived until the middle of the nineteenth century.

The industry established by Peter the Great was chiefly occupied in supplying the requirements of the state. Russia then had no banks and no railways. The peasants lived a self-contained life, building their own houses, spinning and weaving their own wool and making their own clothing, their own furniture and utensils. In the late eighteenth and early nineteenth centuries foreigners established factories, around which grew up *kustarny* enterprises, the participators of which were peasant handicraftsmen who for the most part worked upon raw materials supplied to them by merchants. But, as has been said, it was not until late in the nineteenth century that industry ceased to be a concern chiefly of the state, and became an important activity of the community. Then the industrial revolution, which had come to the West a century and a half before, descended upon Russia. Steam power largely replaced hand power, and bonded labour gave way to free labour. Henceforth the worker was at liberty to choose his own employer, and to starve if he could find none to employ him.

Between 1863, two years from the date of Emancipation, and 1900 the number of factories increased from 16,659 to 38,141; of workers from 419,600 to 2,373,000; and the value of production from 315 million to 3,438 million rubles. Between 1863 and 1897 the urban population grew from six to twelve millions, that is, doubled itself. Communications were extended; in 1861

there were 1,400 versts of railway; in 1900, 24,000 versts; not many for a country so vast as Russia, but sufficient to have a marked effect upon the movement both of men and goods. As transport, industry and towns expanded, markets increased in number and in size. Stimulated by opportunity and driven by need, more and more peasants ceased to consume all that they grew, and either produced enough to yield a saleable surplus or went short themselves. Slowly, money economy was substituted for self-sufficient economy, slowly agriculture became commercialised. In this, as in other respects, Russia's progress was belated.

The changes effected by Emancipation in the sphere of agriculture transformed national economy as a whole. Between 1861 and 1900 foreign trade nearly trebled. Grain was the chief export. In 1861 one and a quarter million tons were exported; in 1901 eight times that quantity. In the last-mentioned year the value of grain exports was equal to the value of all exports in 1861.

In comparison with other countries the economic achievement of Russia was small. It was the effect rather than the size of this achievement that merited attention; for it was plain that the country had turned its back on mediævalism, although as yet it could not make up its mind whither to go.

Industry still was of slight importance in relation to agriculture; and almost from the moment of Emancipation agriculture entered a period of depression that lasted for many years. Prices continuously fell. Capital was lacking. Numerous landowners became insolvent, or lost heart in farming. The peasantry suffered from chronic wretchedness, the chief cause of which was insufficiency of land. Between 1877-78 and 1905 they acquired 24 million dessiatins from the landlords, who in that period sold 37 per cent., all the surface which they owned. The peasantry then numbered at least one hundred millions; the addition to the land which they occupied of even so considerable a quantity as 24 million

dessiatins could therefore do little to alleviate their situation. In his detailed work on Russian agriculture Dr. G. Pavlovsky estimated that at the close of the nineteenth century on a liberal estimate the total annual income of an average peasant family could not be more than the equivalent of 13 to 20 pounds in English money.¹

Insufficiency of land, which was the primary cause of the peasants' misery, could have been compensated for by diversification of crops and by raising of yields. But for reasons attributable to the general backwardness of the country, application of such methods could not be otherwise than extremely slow. The average peasant was too poor to acquire modern equipment; too downtrodden to have interest in new methods. Then, as has been said before, the urban population was scanty, and on that account markets were scarce. Hence the incentive to vary crops was lacking. Restricted almost wholly to arable farming, the peasants had no alternative than to cling to extensive cultivation in order to support themselves and their families.

A parallel may be drawn between Russia and America. Of the two Russia was much the older; but both countries set out to commercialise themselves about the same time, prior to which they had a great deal in common. There was indeed little difference between them in the eighteenth and early nineteenth centuries. Agriculture was as backward in the one as in the other. In each country it was the chief source of income, manufacture being almost wholly the concern of the family or of the individual producer. Then after the first half of the nineteenth century America rapidly surpassed Russia. In 1870 she had double the mileage of railway possessed by Russia in 1900. Twenty years later the commodities manufactured in her factories were in general use, and their value far exceeded those of agriculture. Urban population rapidly expanded; by 1900 it was 51·4 per

¹ "Agricultural Russia on the Eve of the Revolution," by George Pavlovsky, Ph.D., George Routledge & Sons.

cent. of the whole population; 32 per cent. more than the corresponding proportion in Russia to-day. Together with the development of industry went the advancement of agriculture. In the middle of the nineteenth century the wooden plough and the hand scythe were discarded in America. It was surprising that they should have survived so long. Yet these and other equally primitive implements are common in Russia to-day. With the growth of markets consequent upon the expansion of urban population, farming in many regions of America became more varied and more prosperous. On the other hand, farming in Russia, lacking markets, remained uniform and impoverished. In America land was abundant, labour insufficient; in Russia accessible land was insufficient, labour abundant. Capital flowed from the Old World to America. Russia had accumulated little by her own effort and had attracted even less from external sources. For centuries her people had consumed nearly all that they produced; and her rulers had persistently discouraged foreign investment.

CHAPTER II

REVOLUTIONARY IDEAS OF THE NINETEENTH CENTURY

THE material progress of the earlier period of the nineteenth century having been described, something remains to be said as to the political and economic ideas of the epoch. Such ideas were important not merely because they explained contemporary events, but because they clearly foreshadowed the advent of Bolshevism. The French Revolution had little immediate effect upon Russia. As neither telegraphs nor railways then existed, she was isolated from the world. Some years later Russian officers returning from the Napoleonic wars brought back with them ideas considered advanced in those days. These ideas were repressed by Alexander I; thus from the beginning of the nineteenth century liberalism was driven underground in Russia.

The following reign, that of Nicholas I, began with bloodshed. The leaders of revolt became known to history as Decembrists and were largely composed of officers of the Guards. For those times their demands were daring; they required constitutional government, freedom for the conscience, for the Press, and for the serfs. Some of them were willing to go the length of wiping out the Imperial Family in order to get their way. The Russia of this period closely resembled the Russia of the present time. The educated class was decimated by execution; of the survivors, the majority were exiled and the few that remained were cowed into submission and denied permission to travel abroad. So proficient was the spy system that contemporary writers compared it with that of Old Venice, an example now frequently cited when the Bolshevik spy system is spoken of.

In Western Europe the spark of socialism had been lit by the French Revolution. Secret societies were formed in France, and these talked vaguely of what was already called socialism. Blanqui, brought to trial for his participation in one of them, proudly called himself a proletarian. And some years later Karl Marx formulated the substance of the famous manifesto wherein he bombastically summoned the proletarians of all the world to unite for the forcible overthrow of society. Thus the utopian socialism of the eighteenth century came to be transformed into revolutionary socialism.

The influence of the revolution which again shook France in 1848 was much more acute upon Russia than had been that of the great French Revolution. Twenty years had elapsed since the suppression of the Decembrists, since the Government had secured its own position by the extermination of educated men. During the intervening period the youth of those days had grown up, and the state found itself confronted by a new crop of discontented elements. In many parts of Russia circles were formed at which the writings of Saint Simon, Fourier, Owen and Proudhon were studied. Yet whilst professing socialism, those who composed these circles had in mind nothing more than a constitutional régime. But a constitutional régime in a country whose masses were illiterate would have been a monstrous misfit. Nicholas I had no other alternative than to repress agitation for it; but he did so with ferocious severity.

The reign of Nicholas I, though crucial, was by no means decisive. Nothing was done then which could not have been undone. On the main issues the Tsar was right and the revolutionaries were wrong. Russia was unready for a constitutional régime.

During this period Russian thinkers were divided into two main groups, Slavophiles and Westerners. The Slavophil movement was largely composed of nobility. It was the successor to a school of thought which developed as early as the seventeenth century, and the first glimmer

of which was apparent even a century earlier, when it was prophesied that Moscow would be the third and last Rome. The Slavophiles believed that Europe had lived her life while Russia was only beginning to live hers. They considered that in following the West she betrayed herself. The true Russia, they said, was the ancient Russia of faith and community interest, not contemporary Russia that sighed for the rationalism and individualism of the West. They greatly admired the *obstchina* or village communal organisation in Russia, holding it up as an example to the rest of the world, and at the same time agitated for the emancipation of the serfs.

The opponents of the Slavophiles, the Westerners, as they were called, considered that Russia was fated to follow the path of the West. What is more, this prospect did not perturb them. They were ashamed of the slovenly backwardness of their own country, and admired the technical achievement, political sanity, and orderly progress of the West. The German intellectual movement attracted them, and they keenly followed the advanced ideas then prevalent in France.

Neither Slavophiles nor Westerners realised sufficiently that Russia's imitation of the West had hardly been a matter of choice. Whilst the savage races that came from the East were emerging from primitive existence, whilst through centuries they were laboriously building up those successive civilisations which resulted in life as we know it, more waves from the East, pressed on by still more in the rear, were ceaselessly rolling over the great plain that stretched from Mongolia to Moscow. Again and again the barrier of Russian outposts was broken and restored only after a long interval; thus, for example, at the time when Europe was enchanted by the Renaissance, Russia was stricken by the Tartar invasion. Yet no sooner was this invasion overthrown than she found herself involved in strife with the West. To frustrate the West was much more difficult than to repel the East, for, profiting by

relief from Asiatic invasion, the West had become technically superior to Russia. Only, therefore, by emulation of it could Russia acquire sufficient strength to resist it. This emulation entered upon a determined phase as far back as the seventeenth century. It was enlarged and quickened by Peter the Great, whose motive was patriotically pure. Russia, having made a convenience of the West and become strengthened as a consequence, was to revert to her true self. All subsequent Tsars followed this lead, believing sincerely that they could accept from the West much that was good whilst excluding nearly all that was bad.

The Slavophiles and Westerners passed from the scene, but the influence of their ideas was never wholly extinguished. If only because the controversy between them took place during his reign, the epoch of Nicholas I was of intellectual significance. The following reign, that of Alexander II, was decisive, for a course was then set that implacably determined the character which the great revolution was to take sixty years later. In Russia, as in all countries that have fallen victims to revolution, the source of popular discontent was traceable not to neglect of reforms but to wrong execution of them. From the moment of the Emancipation of the serfs in 1861 revolution was predestined; for this Emancipation was but a screen for enslavement of a new kind.

Early in the reign of Alexander II Nihilism manifested itself. Inasmuch as it was the revolt of the individual against restraint of all kinds it was the antithesis of Bolshevism; but in some respects it was much the same. First was to come the annihilation of everything; then upon a naked earth from which God had been expelled, naked men were to begin creation all over again. "Take heaven and earth, life and death, the soul and God and spit on them," said one extreme Nihilist. And Pisarev, described as the prophet of the younger generation, wrote: "What can be broken we shall break. Whatever will stand the blow is of use; whatever will be

smashed to pieces is rubbish. At any rate, smash right and left. No harm will come from this."

After demolition, what was to be the foundation of the new world? "Reason," answered Russian youth, who exultingly proceeded to live their lives according to their own conception of the word. The basis of this conception, as of Bolshevism, was materialism, but where Nihilism differed from Bolshevism was in its belief that materialism could only be realised through the individual, not through the community. Yet there was much in common between the two movements. The Nihilists, many of whom were students of science, worshipped Darwin, who, together with Marx and Lenin, composes the trinity of Bolshevik deities; and their utilitarianism caused them to adulate the manual worker and technical achievement. They considered that Nature was nothing more than a provider of materials for technology, and some of them held that inasmuch as a shoemaker created useful things he was superior to Raphael, "who created things that are of no use at all."

In defiance of convention the women cropped their hair, whilst the men allowed theirs to grow down to their shoulders. Unclean faces, shabby clothes and coarse language were affected. At the time the nobility were in disgrace, and it was considered meritorious to show contempt for all their qualities, even for cleanliness itself.

Nihilism was a distortion of the human spirit. But in judging it heed must be paid to the environment of which it was the creation. The emancipation of the serfs was the starting-point for the emancipation of the intelligentsia, who, for reasons of their own, detested the nobility and rejoiced at its downfall. Compelled to form their ideas on life in the solitude of scattered homes, or in the secrecy of conspiratorial conclave, to be ever on their guard lest their tongue betray them, or confidant should turn out to be spy, it was not surprising that they many of them reached the negation of everything considered sane and reputable. Nor was it surprising that the Govern-

ment, affrighted at the apparition which emerged whenever repressive measures were relaxed, drove it back to the underground world from whence it had come. In this underground world the imp of Nihilism grew up into the monster of Bolshevism.

It was Turgenev who bestowed the name Nihilist upon a type which he was the first to identify and which he immortalised as Bazarov in "Fathers and Children." "I dreamed," he wrote, "of a sombre savage and great figure only half emerged from barbarism, strong, *méchant* and honest, and nevertheless doomed to perish because it is always in advance of the present. I dreamed of a strange parallel to Pugachev." When accused of caricaturing the younger generation, he answered: "Bazarov, this man of intellect, this hero, a caricature!" and confessed that, "Except Bazarov's views on art I share almost all his convictions."

Yet, whilst professing himself to be "almost a Nihilist," Turgenev insisted that he was still a liberal. And the intelligentsia as a class repudiated Nihilism in order that they might preserve their respectability and comfort. But the features of Nihilism so visibly resembled their own that the conviction was not unjustified that the movement was the result of their union with Western rationalism. This strange intercourse between Slav mysticism and European positivism produced the talented little bastard which later grew up into Bolshevism and terrified all the world.

From Bazarov to Bakunin, this was the next stage in the development of the psychology of the revolution. Bazarov was a creation of fiction, Bakunin a living personality, a reincarnation of Bazarov, of whom the gentle Turgenev was the pale shadow. No understanding of the Russian revolution is possible without knowledge of Bakunin and his ideas.

Like so many of the leaders of revolt he was an aristocrat. Born in 1814, two years after Napoleon's entry into Moscow, he became an artillery officer. At the age of

twenty-two he left the army; the horrors attendant upon the suppression of the Polish insurrection, of which he had been an eye-witness, moved him to this decision. Of his rebellious career it is unnecessary to speak in detail here. What is of chief concern at the moment is the approximation of his ideas and character to those of the intelligentsia of the past and of the Bolsheviks of the present.

Bakunin was the enemy of Marx. Marx urged the workers to seize political power, saying that once this power was in their hands class distinction would vanish, and with it the state itself. Later he said that the existing state was of no use to the workers; that they must seize and shatter it, themselves becoming the ruling power, that, in short, the capitalist state must be replaced by the proletarian state, which from the moment of its inception would begin to disappear. Bakunin too wished for the annihilation of the existing order. But he insisted that what followed afterwards could take care of itself, saying that when relieved of the oppression of the capitalist order the masses would spontaneously create their own forms of association. When twenty-eight years of age he published a pamphlet containing a phrase which was reiterated by the communists of later years: "The desire for destruction is at the same time a creative desire."

In 1869 he was in association with Nechaev, a man regarded as a fanatic by fanatics, and together, for the benefit of Russian students, they published a panegyric to the memory of Stenka Razin, the Cossack brigand who led a popular revolt, as Turgenev before had sung the praises of Pugachev, who also led a popular revolt. "The brigand," said this document, "is the hero, the defender, the popular avenger, the irreconcilable enemy of the state, and of all social and civil order established by the state. He is the wrestler in life and in death against all this civilisation of officials, of nobles, of priests, and of the crown. He who does not understand robbery can under-

stand nothing in the history of the Russian masses. He who is not sympathetic with it cannot sympathise with the popular life, and has no heart for the ancient unbounded sufferings of the people. It is through brigandage only that the vitality, passion and force of the people are established. The brigand in Russia is the veritable and unique revolutionist—revolutionist without phrase, without rhetoric borrowed from books, a revolutionist indefatigable, irreconcilable and irresistible in action. The brigands scattered in the forests, the cities and villages of all Russia, and the brigands confined in the innumerable prisons of the Empire form a unique and indivisible world of the Russian revolution. In it alone has existed for a long time the veritable revolutionary conspiracy.”

Nechaev was the logical development of Bakunin, just as Bakunin was a logical development of Turgeniev and the revolting intelligentsia. He was a man of instant and ruthless action. No deed was too perverse, too atrocious for him to perform; seduction, blackmail, robbery, murder, all, he said, were necessary and justified for the accomplishment of “total, inexorable and universal destruction.” Ultimately Bakunin was driven to disown his comrade, of whom at the same time he wrote: “And yet he is not an egoist in the worst sense of the word, because he risks his own person terribly and leads the life of a martyr, of privations, and of unheard-of work.”

The year 1871 was momentous. Paris was placarded with warnings to the bourgeoisie that the hour of the proletariat had come; the Commune was created and destroyed amidst a flame that lighted up the European horizon, spreading its glow as far as Russia. At once Marx rushed to praise its heroism, and upon its ruins planned his proletarian state, which Lenin long afterwards strove to realise.

In Russia the influence of the Commune was potent. The first effect was the revolt of youth. The evil results of Emancipation were now fully apparent; and they were such as to alarm both the autocracy and the

enemies of autocracy, to cause the one to shrink from further reform, the other to contemplate violent insurrection.

In the large towns groups were formed whose aim was not merely to study, as had been that of former groups, but actively to propagate revolutionary ideas amongst the masses. At the same time two migrations of the young intelligentsia took place. One of these flowed to Western Europe, whither it dispersed to centres of learning. Boys and girls barely sixteen years of age participated in this exodus. Zürich was the favoured centre. After a while it struck the young idealists that since they were merely acquiring knowledge for their own advancement they were no better than "the swarms of bloodsuckers who live upon the tears and sweat of our countrymen." Thereupon they abandoned their education and took up with politics. Henceforth they became frequent attendants at the sessions of the "Internationale," and in particular came under the influence of Bakunin, who was then in the midst of his battle with Marx. A considerable number of them engaged in manual work, for already in such circles it was considered socially honourable as well as politically useful to become a proletarian. Hardly a year had passed since the Paris Commune. Russian students consecrated themselves to its memory and prepared for death on the barricades. Thus was born the professional revolutionary.

Another exodus went to the peasants. This exodus was the famous movement known as "going to the peasants." Several thousands of young people belonging to the educated classes disguised themselves as peasants and, travelling amongst or living with the peasants, sought to persuade them that their wretched condition was due to lack of land and freedom.

Those were the days when the young generation clashed with the older generation. Children abandoned parents, husbands and wives separated. Young women went through mock marriages that they might qualify for

passports abroad, or married simple peasants in order to make penetration into the village easier. Many of them were of noble birth, some were wealthy. Furs and jewels were sold to procure money for the purchase of books and pamphlets. The works of Marx, Bakunin, and Lassalle were much in demand.

The Russian country was an unknown land for these ardent explorers. Although inspired by a common spirit, no common idea united them. Dividing into groups, they propagated views of which they had but imperfect conception. The movement failed. The peasants consisted of many millions, the revolutionaries of a few thousands. But apart from disparity of numbers there was disparity of comprehension, of interest, indeed of everything requisite for contact. In the end youth was sacrificed. Numerous arrests took place, and Siberia became infamous as a region of banishment.

Although the movement did not achieve what it set out to attain, it was not altogether barren, for it gave an impetus not merely to discontent amongst the masses, but to organisation amongst the intelligentsia. As it developed, the Narodnichestvo emerged. This party, which began by denying political solutions, ended by agitating for political freedom. Democracy was its immediate, socialism its ultimate aim. But what distinguished it was its passionate and idealistic belief that socialism could arise spontaneously from the Russian soil, in other words from the communal land system of the peasantry. It was confident that Russia would resist capitalism, and that therefore she would never have an industrial proletariat in her midst. Thus it totally rejected the idea that she must irrevocably develop on Western lines.

The tactics of the Narodnichestvo were confined to propaganda; but in Russia propaganda was a crime. Soon many members of the party were arrested and exiled. Not a few went mad or committed suicide in prison. Of the remnant, some were terrified into inaction, whilst others were driven to plan vengeance. In 1879, eight

years after the Paris Commune, the Narodnaya Volya or People's Will Party came into existence. Although the Bolsheviks criticise the basis and tactics of this party, they do not conceal their admiration for it, and it would not be wrong to say that they are its lineal descendants. The old Narodnichestvo were evolutionists. They believed that once political freedom was gained, socialism would be gradually achieved. The new group were revolutionaries. They held that political freedom as conceived by the Narodnichestvo would merely benefit the bourgeoisie and gratify their self-importance. Political freedom, they urged, must be used for the overthrow of the existing structure of society and the substitution for it of the socialist state. A programme issued on their behalf in 1879 said: "We are socialist workers and peasants whom the parasitical class has deprived of the rights of citizens. Pressed from all sides, the people become physically degenerated and are ground into poverty and slavery. They are chained in rows like galley-slaves and oppressed by layers of exploiters who are brought into existence and defended by the Government. The state is the greatest capitalist force in the world." The specific demands of the party included items that nearly forty years later were put at the head of the Bolshevik programme; the transference of the land to the peasants, and the factories to the workers. But whereas the Bolsheviks relied mainly upon the town-workers, the earlier revolutionaries stipulated that nine-tenths of the representatives to the constituent assembly which they desired to be summoned should be peasants.

It was not sufficient, said the adherents of the Narodnaya Volya, to invite the masses to arise and then wait patiently until they did so; the initiative for revolt must come from leaders. In order to distinguish themselves from the propagandist Narodnichestvo they called themselves the party of action. Action meant any deed, no matter how repulsive and atrocious, so long as it furthered the revolutionary end.

Terrorism provoked terrorism; from now on the battle was joined between the Russian autocracy and Russian youth, and the one no less than the other refused to be bound by conventional standards of morality. Anarchy raged; the bomb, the revolver and the executioner's rope, these were the weapons of warfare. An underground world came into existence, the inhabitants of which were conspirators, spies and *agents provocateurs*. In this world life developed morbid forms; each side corrupted the other, and often it was impossible to say who was friend and who was foe. Both the state and its enemies acted upon the belief that the means justified the end; and whenever it became of service to either, vice was exalted to virtue. The revolutionaries robbed to provide themselves with funds, and regarded robbery in such circumstances as meritorious. It was from such corruption that Bolshevism sprang. The Government arrested without warning, punished without trial, ignored the judgments of its own courts, confiscated the money of private citizens whom it suspected of revolutionary sympathies, exiled children to Siberia, kidnapped those of people considered to be politically unreliable and placed them in institutions, executed revolutionaries secretly and buried their bodies in the dead of night.

In the 'seventies, about the period of the Paris Commune, Russian revolutionary leaders first came into personal contact with Karl Marx. But it was not until the early 'eighties that a number of convinced disciples of Marx made their appearance in Russia. There is no evidence that he was regarded by them as anything but a political evolutionist. They read chiefly his "Capital," and paid little, if any, attention to his treatise, "The Civil War in France," which foreshadowed the strategy of revolutionary violence and which was based upon a study of the Paris Commune. But it may be assumed that apart from Marx the idea had occurred to a number of people that the Paris Commune would afford a precept for a proletarian state.

On March 1, 1881, Alexander II was assassinated. At the trial of those responsible for the crime their leader said: "Two years ago we were propagandists, not terrorists. The Government made us revolutionaries. I hoped to terrorise the country, disarrange the machinery of the Government, and establish a state like the Paris Commune." A second and a third prisoner pleaded that they were "only workmen." They had worked, they said, for seventeen hours a day for a few kopecks and lived on bread and water. Thus spoke the prophets of the coming Bolshevik upheaval.

Lenin inherited Marxism from his brother, Alexander, who was executed for participation in a plot to kill Alexander III, and who a little while before the conspiracy against the life of the Emperor, had contemplated a publication devoted to the spread of Marxian ideas. His contribution to the first issue was to have been a translation of an article by Marx on Hegelian philosophy. He directed Lenin's attention to Marx, and amongst the books which he left to him was "Capital." Lenin, on hearing of his brother's fate, remarked that he could not have acted otherwise than he did; then he said these words: "It is not necessary to go by that path. We shall not go by it."

Two months after Alexander's execution the family, no longer having any friends in Simbirsk, moved to Kazan. Lenin passed his final examination at the gymnasium and was awarded a gold medal. He entered Kazan University as a student of law, but five months later was expelled for taking part in student disturbances. Thereafter he resided at various places on the Volga, continuing his law studies and making himself acquainted with the works of Marx and also with those of Plekhanov, the first teacher of Marxian ideas in Russia. At that time several Marxian groups had made their appearance in the Volga region; already the attention of the police had been attracted to them; and the Kazan group had been raided and several of its members arrested. Lenin entered into a corre-

spondence with leaders of the movement. When he began his study of Marx he was barely eighteen years of age; a witness who met him when he was twenty-one declared that he then assimilated the Marxian project of a dictatorship of the proletariat, and that this was the goal of his ambition. There can thus be little doubt as to what Lenin meant when, after his brother's execution, he said: "It is not necessary to go by that path. We shall not go by it." The path which he had marked out for himself was the Marxian path.

Towards the end of the nineteenth century the survivors of the Narodnichestvo still held that Russia had no need of urbanisation such as existed in the West, saying that she was a distinctive country, inhabited by natural socialists, living in self-created communes. Their admiration for the village commune reflected faith not merely in an institution but in the peasantry. This faith had been the mainstay of Slavophilism and had been expressed by numerous representatives of varying schools of thought. But whereas the Slavophiles believed that Russia was destined to supplant an outworn Europe, the Narodnichestvo imagined that, following an easier path of her own, she would reach that same goal towards which Europe was desperately striving.

The Slavophiles were mystics. They rejected Western rationalism. The Narodnichestvo were atheists. They accepted Western rationalism. But together with it they cherished an almost mystical faith in the Russian people. This faith, the heritage of history, was one of the most striking manifestations of the Russian spirit before the revolution.

When reminded that since the Emancipation industrial capitalism had grown in Russia to a considerable extent, the Narodnichestvo survivors answered that this growth was retrogressive and accidental. The theory of Marx was fundamentally in conflict with that of the Narodnichestvo. This theory was based upon belief that the extension of capitalism was unavoidable, that by means of

the process which is now called rationalisation all the means of subsistence and labour would be expropriated from the mass of the people, and unavoidably capitalist private property, already practically resting on socialised production, would be transformed into communal property.

Lenin, who was a young man at the time, appeared as the opponent of the Narodnichestvo and the champion of Marx. He declared himself on the side of Europe, saying that her path was the only path by which Russia could go. The Narodnichestvo he termed "sentimental romantics," adding that their idealisation of the village was false, and their attitude towards Western culture frivolous. "Not a single one of them," he said, "can deny that the narrow caste system of the peasant commune, its collective responsibility and the prohibition against selling land or abandoning allotments, is in sharp contradiction to economic reality and the conditions and development of modern capitalism."

In replying, the Narodnichestvo declared that Marx himself gave authority for the belief that Russia might escape capitalism. They quoted a letter written by him in 1877 in which he said that should Russia adhere to the course upon which she entered after 1861¹ she would lose one of the most favourable opportunities ever offered to a people "of escaping the vicissitudes of capitalism." Twenty years later, in an introduction to a reprint of the Communist Manifesto, Engels, who always reflected the views of Marx, speculated upon whether "the Russian peasant commune, that already degenerate form of primitive communal property in land, will pass directly into the superior form of communistic ownership of land, or whether it must first follow the same process of dissolution that the peasant commune has undergone in the historical development of the West." To this question he gave the following answer: "If the Russian

¹ Marx was evidently alluding to the development of capitalism in Russia.

revolution is the signal for a workers' revolution in the West, and if both should be successful, then the existing communal property of Russia may serve as a starting-point for a communist development."

The Marxists disputed with each other not less than they did with the Narodnichestvo. The writings of their teacher admitted of various interpretations, each of which attracted adherents. At this period capitalism was developing in Russia, although not to anything like the same extent as in other countries, and also, in increasing numbers, landless peasants were becoming converted into proletarians. But the working class still constituted a very small proportion of the population, and of politics it was completely ignorant. Strikes had occurred, but always for economic, not for political aims, that is, for securing improvement in the conditions of labour.

Having in mind all these circumstances, one group adhered to that part of Marxian theory which taught that only through the high development of capitalism could socialism come about. This view was consistent with moderate courses, and afforded justification for belief that Marxism was evolutionary. Those who held it propagated Marxism within the law, and became known as "legal Marxists"; but extreme Marxists said of them that they were no better than "bourgeois liberals." Other factions disregarded the backwardness of capitalism in Russia, but considered that the workers were politically immature, and that they cared nothing for social democracy. One of these thought that the workers should confine themselves to a struggle for an improvement of their economic lot, leaving the struggle for political liberty to other classes. Another faction contended that the workers could only become politically educated in the actual process of struggling for the improvement of the economic conditions of their class, and favoured their enlightenment by stages, beginning from economics and passing gradually to politics and socialism. Of both sets of views, as of legal Marxism, it could be

said that they were evolutionary in essence, for the assumption was that the workers were not as yet qualified to exercise political power, and that until such time as they gained the requisite knowledge they must acquiesce in the political leadership of another class.

Lenin rejected these new tendencies.¹ He agreed that the workers were politically ignorant, but said that they would never become politically educated if the labour movement limited itself to agitation for improvement in working conditions. Defining social democracy (in other words Marxism) as the combination of the labour movement with socialism, he declared that, isolated, the labour movement would shrink and become bourgeois. Lastly, he urged that the workers should be organised into a political party "for a decisive struggle against autocratic government and against the whole of capitalist society."

"If," he continued, "we have a strongly organised party, an isolated strike may be converted into a political victory over the Government; if we have a strongly organised party, a rebellion in a single locality may flare up into a victorious revolution."

It was evident that ideas were shaping in Lenin's mind, which later clarified and dominated his conduct. In reality two Marxisms were available, the one moderate, emphasising the inevitability of historical process, and of the development of capitalism; the other immoderate, holding up the Paris Commune as an example to be followed, and calling upon the masses to forcibly overthrow society. Whilst insisting that capitalism was developing in Russia in accordance with moderate Marxism, Lenin thus early showed preference for immoderate Marxism. It was a momentous choice, one consistent with the temperament of the chooser not less than with the historical circumstance that in Russia the many have always been ruled by the few. Regardless of whether or not the country was prepared for socialism as

¹ "Our Immediate Tasks," by N. Lenin, 1900.

required by moderate Marxism, it allowed for seizure of power at any moment, and for the forcible overthrow of society. Thus the brigandage so much admired by Russian revolutionaries was elevated (or debased) into political theory, and Lenin stepped into the foreground as a reincarnation of Stenka Razin and Pugachev.

Though divided into trends the Marxists gathered strength. As they did so, the Narodnichestvo vanished from the scene. But the essence of their faith endured. A new party, the Social Revolutionaries, inherited their enthusiasm for the village commune, and in 1900 issued a manifesto saying that the patience of the peasantry was almost exhausted, and that they would certainly seize the first opportunity to revolt. The document continued: "We shall ourselves set alight this combustible material. In the fire of the terror the rotten structure of the autocracy will be destroyed. Our final aim is the accomplishment of the socialist ideal in all its fullness. But we do not imagine that from poverty and freedom the socialist order can be woven immediately. We are not preparing for a fantastic giant jump to our final goal, but for deliberate advances from phrases to deeds."

Although the aim of each revolutionary party was identical they differed in their conceptions. Most Marxists (or Social Democrats) wished for a system of state capitalism. The Social Revolutionaries considered that such a system would lead to the rule of a bureaucratic caste and would paralyse the self-activity of the workers. But their own ideas concerning the society of the future were vague; what they had in mind was a co-operative or communal system which would harmonise the community organised as the state with the workers as the producers of commodities.

Between the various phases of Russian political thought of the nineteenth and early twentieth centuries there was a vague relationship reflecting ideas current in the literature of the time. It is here that we have the source of much that is contained in revolutionary economic

theory. Belief was common that Western civilisation had run its course, and that universal cataclysm was at hand. It was true that the advanced Marxists did not wholly share this belief; but they replaced it by something that was equally startling. They agreed that universal cataclysm was approaching, but said that it would only extinguish the bourgeoisie whilst uplifting the proletariat. Those who thought that the West was decadent were convinced of the superiority of Russia. This superiority they attributed to the fact that she had been retarded, as a consequence of which she possessed freshness, originality and daring. "We are a belated people; therein lies our salvation," they said. Herten declared that the young barbarians were gathering to take the place of Europe. Bakunin said that the workers of the West were spoiled by good pay and educational opportunity, and that, on the other hand, the Russian workers and peasants were beggars unspoiled by bourgeois tradition and custom, for which reason they afforded excellent material for socialist experiment. Even Turgeniev, who once exclaimed that no great harm would come if Russia disappeared from the face of the earth, remarked that the nations of the West were horribly infected with Philistinism. Tolstoy, who repudiated nationality, nevertheless had a strong belief in Russia's destiny. He remarked that the path of the West meant for her certain ruin, and predicted that "between nations she will play a great part." Although he vividly foresaw the horror of revolution, he yet discriminated in its favour, saying that it aimed at some new arrangement of life, whereas the Government sought merely to perpetuate the old order. Dostoevski prophesied that the time was near when the proletarian "will hurl himself on Europe and all the old things will crumble for ever." And Merezhkovski wrote: "The Russian revolution is universal. When you Europeans will understand this you will rush to put out the fire; but be on your guard. You will not extinguish our flame; but we will set you on fire."

Lastly, it may be noted that many Russians of the nineteenth century had but little affection for property, that they irreverenced the law, and sympathised with the under-dog, in proof of which numerous passages from Russian literature could be cited. At one end of the scale, for example, so stern a moralist as Pobyedonostsev wrote: "The wanton and dishonest shall take a higher place in the kingdom of heaven than the just;" at the other, so sincere a humanist as Gogol averred: "Of all nationalities, the Russian alone is convinced that there exists no man who is absolutely guilty, as there exists no man who is absolutely innocent."

CHAPTER III

THEORIES AND TACTICS OF THE REVOLUTION

THROUGHOUT the early part of the twentieth century the Social Democrats or Marxians engaged in ceaseless disputation. This disputation was tortuous, and not infrequently pedantic. Yet historically it was important, for it evolved the theories and tactics of the revolution that was near at hand.

It was common ground that the proletariat knew nothing of politics, and that they were unfitted for power. As has been already mentioned, one Marxist group considered that the workers should leave the struggle against absolutism to others, confining themselves to attempts to improve conditions of labour.

Lenin was intolerant with this attitude, which he interpreted as inertia.¹ He urged that Marxists should lead not the workers alone, but all forces struggling against the autocracy, and that they should seek allies among the liberals and intelligentsia, or wherever these could be found. Accused of compromising, he asserted that his policy involved nothing of the kind, but that it was his opponents who compromised by surrendering political leadership to the bourgeoisie. He cited numerous instances of the co-operation of Marxists with liberals in the past, without the least sacrifice of principle having been made.

Even thus early the ideas that led to the formation of the Bolshevik Party were vaguely in his mind, for, declaring that his colleagues were revolutionary amateurs, he advocated the training of professional revolutionaries

¹ "What is to be Done?" by N. Lenin, 1902.

in whom all conspirative function should be centralised. A year later he elaborated this project. The party was to be a fighting machine rigidly controlled by a central authority composed exclusively of professional revolutionaries; only factory circles or other organisations recognised by this authority were to be admitted to membership, detached individuals being excluded. Lenin explained that this proposal was directed against "chatter-boxes," of which, owing to the discontent then prevailing, there were many. But he did not conceal that in particular he aimed at the intelligentsia of bourgeois or liberal inclination. Not unfavourable to an occasional alliance with them, he was firmly against their admission to the party. Yet at this moment the very condition which he wished to avert existed; many bourgeois intellectuals had penetrated into the party.

Clearly his opponents perceived that the adoption of his plan would result in a band of conspirators, not in a party representative of a class, in the substitution of one absolutism for another. He himself correctly summed up their description of his project. The party was to be a monstrous factory, the members mere wheels revolving at the bidding of a despotic central committee; thus the minority would rule the majority as masters ruled serfs. Lenin threw scorn upon his own malignant imagery. Alluding to his opponents as Girondists or "gentlemen anarchists," he said they belonged to a class that acquired with difficulty a discipline which proletarians learned with facility in the school of the factory.

Lenin's ideas were rejected; but this did not diminish his advocacy of them. The truth was that the conflict between him and his associates was the outcome of fundamental incompatibility. He urged that Marxism or Social Democracy should be limited to a class led by a clique, and that this class should be open to all, regardless of the strata of society to which they belonged. And whereas he believed in dictatorship and submissiveness, disguising the one as a vanguard, interpreting the other

as self-discipline, they favoured democracy and conviction, not autocracy and compulsion. His vision was of a community in which only working masses survived as compliant components of a gigantic mechanism controlled by an elect of which he was the chief.

As time went on, discontent spread throughout Russia; strikes of workers and risings of peasants became frequent. The group in opposition to Lenin considered that the workers ought to demand the summoning of a constituent assembly, that this demand should be brought before the provincial zemstvos or councils with a view to its being transmitted to the central government, and that whilst it was under consideration the workers should make demonstrations in the streets. The object in view was to induce the liberal bourgeoisie, of which the zemstvos were composed, to recognise the proletariat as a political force. "The bourgeoisie," it was said, "are the enemies of our enemies. Therefore to a certain extent they are our allies. We must encourage them to join in the demands put forward by the proletariat under social democratic leadership."

In addition it was urged that an attempt should be made beforehand to reach an understanding with the left wing of the bourgeoisie. Such attitude, it may be said, was consistent with the willingness of the group concerned to admit liberal intelligentsia into the party. It was also consistent with Lenin's advocacy of alliance with the liberal bourgeoisie. But by this time he had moved on to another plane. He now had no use for the liberals, and was all for the "armed insurrection of the proletariat."

"The aim," he said in a leaflet written in Geneva in 1904, "must not be to scare the bourgeoisie into action, but to rally the forces of labour to revolt." In January of the following year (1905) the upheaval which became known as the first revolution broke out. Many thousands of workers went on strike. There was much shooting of demonstrators, much fighting on barricades. The insurrection, of which one of the chief leaders was the

priest Gapon, had an emotional character, and its aim was restricted to securing reforms in conditions of labour. But a soviet was set up for a while in St. Petersburg, and a manifesto printed and distributed by one group of workers demanded something vaguely resembling the Paris Commune. "Smash the gendarme and police stations and all the bureaucratic institutions," it said. "Let us overthrow the Tsar's government and establish our own."

In the following month (February) Lenin wrote:¹ "The social change began in Russia with the abolition of serfdom, and it is precisely the fact that our political superstructure lags behind social relations that makes the collapse of this superstructure inevitable. Such collapse may be brought about at one blow, for popular revolution in Russia has already dealt Tsarism a hundred blows. Whether it will be finished off with the hundred and first or the hundred and tenth blow cannot be known." No longer was any attempt made to conceal the fact that the party was hopelessly divided. The two groups thus formed later became known as Bolsheviks and Mensheviks.

Of Lenin it was said that he was a revolutionary for the sake of revolution, not for the fulfilment of history. But his critics failed wholly to perceive the two-sided character of Marxism. The evolutionary side of which they were so well aware emphasised the need for the development in bourgeois society of large-scale capitalism as a prelude to socialism; the revolutionary side, which they so stubbornly ignored, consisted in admiration for the Paris Commune, which was created at a time when large-scale capitalism was little developed in France. In Russia large-scale capitalism was developing rapidly, but it was still backward when Lenin called upon the workers to emulate the Paris Commune. In another respect comparison was not so favourable: the Russian workers of those days were far less politically advanced than the French workers of thirty-five years before. Yet it should not be forgotten

¹ "Two Tactics," by N. Lenin, 1905.

that Marx extolled the communards for their heroic conduct rather than for their political acumen. Lenin was certainly justified in thinking that the St. Petersburg worker was not less courageous than the Paris worker.

Here it is opportune to ask: What was the aim of the Commune which Marx praised so much, and which Lenin wished to see copied in Russia? Although extremely vague, it was certainly not the centralisation, not the despotism of which Lenin dreamed. "Paris demands," said the declaration of the Council of the Commune, "the autonomy of all communes in all the localities of France . . . the administration of communal goods . . . the absolute guarantee of liberty for the individual, for conscience, and for labour."

Had Lenin wished, he could have justified his impatience more effectually by citing Engels' suggestion that the primitive communal organisation of Russia might conceivably serve as a starting-point for world socialism, provided a revolution in Russia was followed by one in the West. But it was hardly surprising that he did not do so; doubtless Engels' words recalled to his memory the "romanticism" of the Slavophiles and Narodnichestvo which at one time he had severely condemned. What was surprising was the omission from all his utterances during this period of direct allusion to Marx's admiration for the Commune. On the other hand, he wrote much with the purpose of showing that capitalism was developing in Russia, that therefore, in the language of the Communist Manifesto, the time was ripe for "the forcible overthrow of bourgeois society" and the inauguration of the era of socialism. Thus he sought to prove that he was a true Marxian and that his critics were heretics or renegades. That capitalism was rapidly expanding in Russia there could be no doubt; but it was still remote from that degree of progress and concentration which Marx had said was essential for the transformation of the existing order into socialism.

All discontented elements believed that the overthrow

of the autocracy was inevitable; many thought that it must occur soon. The liberals, or big bourgeoisie as they were sometimes called, had no doubt that the form of government best suited to succeed Tsarism was a constitutional form. But the Marxists who disputed so bitterly one with another concerning the tactics of revolution were equally divided as to the kind of government that should replace the autocracy. The overwhelming majority of the Russian population consisted of bourgeoisie, mostly of the petty category, that is, of peasants, shopkeepers and merchants. For this reason the opponents of Lenin considered that the revolution could have no other issue than the placing of the bourgeoisie in power. They cited both Marx and Engels, who held that any attempt to avoid such a development would have disastrous consequences.

Engels wrote: "The worst thing that can confront the leader of an extreme party is the necessity of taking power at a time when the movement has not yet sufficiently ripened to enable the class which it represents to rule and to carry out the measures which would make its rule secure."

Marx conceived revolution as a continuous process; the liberal bourgeoisie would first secure power, only to give way to a "genuine democracy" composed of petty bourgeoisie, this class in turn being replaced by the proletariat, upon whom would fall the task of carrying out what was loosely termed "the social revolution."

Reviewing events in France in 1848-49, Marx advised social democrats there, whilst preserving their own independence, to take concerted action with the petty bourgeoisie for the defeat of the big bourgeoisie, subsequently comporting themselves as a formidable opposition. It may again be noted here that passages were always discoverable in the writings of both Marx and Engels to show that they favoured either the immediate seizure of power by the proletariat or the delay of this seizure until such time as economic and political conditions justified it.

Lenin's opponents thought that the dilemma of which Engels had given warning might come about in Russia, that, although in the first stage of the revolution power by right belonged to the big bourgeoisie, it might be seized by the proletariat for the reason that they were led by the best-prepared party, the Social Democrats, who, if they were not to betray the class they represented, would then be compelled to introduce socialism, although conditions were unripe for it. As a consequence, they would be forced into open conflict with the bourgeoisie, that is, with the overwhelming majority of the population, and the tragedy of the Paris Commune would be repeated.

What then was to be done? Lenin's opponents answered that the Social Democrats should refrain from taking power on behalf of the proletariat or from participation in a government hostile to social democracy, that they should content themselves with becoming an opposition, exercising as such continuous pressure upon the upper classes in order to force them to bring the bourgeois revolution to a logical conclusion, thus opening the way for social or proletarian revolution.

Lenin now came forward in the rôle of a democrat,¹ though of a novel kind. He too thought that the coming revolution would be of a bourgeois character, but his solution was that, ignoring the upper bourgeoisie, the proletariat should ally themselves with the lower bourgeoisie, that is, with the overwhelming majority of the population, and form what he termed "a revolutionary democratic dictatorship," by which he explained later he meant a democratic republic. He declared that time and opportunity would then be gained for "organising tens of millions of urban and rural poor for the purpose of making a political revolution which shall be the prelude to the European social revolution."

On August 26, 1906, Lenin wrote an article in the journal *Proletarii* in which the following passage occurred :

¹ "Revolutionary Democratic Dictatorship of the Proletariat and Peasantry," by N. Lenin, 1905.

—"Social Democracy must recognise and incorporate mass terror into its tactics. . . . We must teach the workers' detachments to make bombs; we must assist them to collect stores of explosives and fire-arms. . . . The great mass struggle is approaching. We are entering upon an armed sanguinary and desperate conflict. The masses must be imbued with contempt for death; this will bring victory. . . . Ruthless extermination of the enemy—such will be their task."

A circle of which Trotsky was a member also had its own ideas concerning the course which the revolution was destined to follow. These ideas were used as a heavy weapon against him in later years when the revolution was an accomplished fact. The basis of their conception was the famous theory of permanent revolution.

In 1850 Marx wrote: "Whereas the petty-bourgeois democrats wish the revolution to be brought to a close as speedily as possible, as soon as their scanty demands are satisfied, it is incumbent upon the workers to make the revolution permanent until the more or less possessing classes have been excluded from power, until the proletariat has achieved the conquest of state authority, and until—not in one country alone but in all the advanced countries of the world—the association of the proletarians has developed so far that competition among them has ceased and the key industries at least are in their hands."

Trotsky's interpretation of this passage was that it justified the immediate setting up of a workers' government. Thereafter, he said, would begin the era of permanent revolution, with the purpose of creating a universal socialist order. At the same time he considered that this workers' government would not be able to maintain itself unless the proletariat of the leading countries of Western Europe acquired power. Later he explained more precisely what he meant by this last assertion. He was of opinion that, in order to retain power, a workers' government would be forced to make inroads not only into feudal but also into bourgeois property rights, hence

inevitably conflicting not merely with all sections of the bourgeoisie, but with the majority of the peasantry, whose co-operation had placed the proletariat in office. Unless, therefore, in Trotsky's opinion, the revolution expanded on an international plane it was foredoomed.

Lenin interpreted the theory of revolution otherwise. He wrote: "We are for continuous revolution but with all our strength we shall help a united peasantry to make the democratic revolution that it may be easier for us, the party of the proletariat, to pass to the social revolution."

Neither Trotsky nor Lenin interpreted Marx correctly. Trotsky ignored the intervening bourgeois stages which Marx said could not be dispensed with, and advocated a workers' government as an immediately realisable and practical objective. Lenin attached too little importance to bourgeois liberalism. Perhaps he had some justification for doing so; bourgeois liberals were but a small minority of the population. On the other hand, there was the probability to be reckoned with that for a while their leadership might prove acceptable to the peasant masses.

Where Lenin strikingly departed from Marx was in his proposal that the social democrats should share power with the petty bourgeoisie rather than constitute themselves an opposition to them. For this lapse he excused himself by saying that, whilst Marx's scheme was on the whole right, it applied to conditions other than those then existing in Russia, and that it would be pedantry not to allow any variation from it. As for Trotsky's plan for a workers' government straight away, Lenin remarked that by excluding co-operation with the peasantry or petty bourgeoisie in the exercise of power it seriously underestimated the revolutionary potentialities of this class.

How did events shape themselves after the revolution broke out? Lenin, then an exile in Zürich, wrote at the end of March 1917 a series of "Letters from Afar," in which he passionately urged the Russian workers to take as their example the Paris Commune and to set up at once

a revolutionary democratic dictatorship of the proletariat and poorest peasantry. It should be noted that, whereas before he spoke of a dictatorship of the proletariat and peasantry as a whole, he now wished the workers to ally themselves with the poorest peasants only. His conception of what would follow was childish. The dictatorship, he said, must smash the mechanism of the state, replacing it by a people's militia, composed of adults of both sexes willing to serve in this force during one day of each week, for which as for other days they would be paid by their employers. Such a régime, he averred, would be true, not sham, democracy. It would guarantee bread for every family, and "a bottle of good milk for every infant."

Lenin returned from exile to Petrograd on April 3, 1917. His first act on stepping from the train was to declare his conviction that the bourgeois revolution in Russia was at an end, and that the world social revolution had begun. Afterwards he established himself in the house of Kshessinskaia, the ballet dancer, from the balcony of which he delivered the following speech:

"The world revolution is at hand; the bourgeoisie are about to be overthrown in all lands.

"Comrade workers, take the factories from your exploiters.

"Comrade peasants, take the land from your enemies, the landowners.

"Comrade soldiers, stop the war, go home, make peace with the Germans, declare the fighting at an end.

"Poor wretches, you are starving while all around you are plutocrats and bankers. Why don't you seize all this wealth?

"Steal what has been stolen. Expropriate the expropriators.

"Destroy the whole capitalist society! Down with it!

"Down with the government!

"Down with the war!

"Long live the socialist revolution!

"Long live the class war!

"Long live the dictatorship of the proletariat !

"A great opportunity is before you to sweep away all the enemies of the revolution, to create the kingdom of communism and the dictatorship of the proletariat, to support world revolution.

"Let our enemies tremble. No pity, no mercy for them. Summon all your hatred. Destroy them once and for ever."

"Steal from those who have stolen!" said Lenin, repeating words that were uttered in Egypt 2,000 years before Christ. And all the street orators, of whom there were thousands, re-echoed this cry.

At that time Petrograd was filled with exiles returning from the ends of the earth. Amongst them all shades of advanced political theory were represented. Various groups published their own newspapers. Millions of leaflets and pamphlets were poured out. Ceaseless polemics took place. These polemics sought to define the historical purpose of different classes in the light of their material interests, and thus to illumine the character of the revolution as well as to foreshadow its destiny.

The situation at the moment was as follows:—A provisional government was in power representative of the constitutional democrats (cadets) and other progressive groups, and relying on the support of Mensheviks and the Social Revolutionaries of moderate tendencies representative of the petty bourgeoisie class, that is, of the peasantry, small shopkeepers and merchants. Along with this government soviets of workers and peasants also existed in which the Mensheviks and the Social Revolutionaries had majorities.

Marxian theorists defined revolution as an inevitable sequence of historical process. The question now arose: Through what stage was the revolution passing? A group of prominent Bolsheviks, to which Kamenev, Rykov, Zinoviev, Stalin and others belonged, disagreed with Lenin's conclusion that the bourgeois-democratic stage had already been lived through. Some of these

declared, and subsequent experience proved them to be right, that if power were seized on behalf of the proletariat it could only be maintained by terror. How, they asked, could it be said that the bourgeois democratic revolution was over when the peasantry, who were bourgeoisie, though of a petty character, might yet take power and carry this democratic revolution to the end?

Lenin's answer¹ was, that owing to peculiar circumstances arising from the war, the revolution had passed with lightning rapidity through several essential stages. Up to the time of the overthrow of the autocracy power was in the hands of the "feudalist-aristocratic-landowning class"; then it was transferred to the capitalist class, the big bourgeoisie, at which stage the capitalist or bourgeois revolution ended. Reiterating this conclusion, Lenin, with flagrant inconsistency, yet admitted that there was still a possibility of the peasantry acquiring power and completing the bourgeois revolution; but, as "a true Marxist" he said that he wished "to take stock of the characteristics of a given moment, not of the probabilities of the future."

According to orthodox Bolshevik theory, if the bourgeois democratic revolution should culminate, a revolutionary-democratic dictatorship of the proletariat and peasantry ought to emerge. Lenin held that in fact such dictatorship had emerged in an original and unexpected form—in the form of soviets. "There exists," he said, "side by side, at one and the same time, both the supremacy of the capitalists and the revolutionary democratic dictatorship of the proletariat and peasantry which voluntarily surrenders power to the capitalist class, voluntarily becomes an appendix of it. Yet we must not forget that in reality power in Petrograd is in the hands of the workers and soldiers, and the new government does not and cannot use violence against them, since there is no police, no army separate from the people, no bureaucracy standing

¹ "Towards Soviets: Theses and Letters on Tactics," by N. Lenin, April 1917.

above the people. This fact implies that a state of the type of the Paris Commune has been set up."

In order to demonstrate that the existing situation was in accordance with the laws of Marxism, Lenin cunningly argued that the formula "revolutionary democratic dictatorship of the proletariat and peasantry" was a definition of a mutual relationship of classes, not a description of a political instrument for the expression of this mutual relationship. On the other hand, he sought to account for the circumstance that the workers and peasants still preferred to co-operate with the liberal bourgeoisie rather than set up a government on their own account, by saying that the masses had only just awakened politically, and that they were insufficiently class-conscious and insufficiently organised.

Having convinced himself that the revolutionary democratic dictatorship had been realised in a peculiar and unforeseen manner, he next proceeded to declare with shameless adroitness that it was already out of date; and yet he still allowed for the contingency that "the timid lower middle class" which had majorities in the soviets might separate from the capitalist provisional government and set themselves up as the single ruling authority in the country, as a revolutionary democratic dictatorship of the proletariat and peasantry. With that probability in view, he advocated that the Bolsheviks should seek to convert their minority in the soviets into a majority, that they should segregate and organise all proletarian elements in these councils, and that thenceforth they should peacefully but energetically agitate for the transference of all power to the soviets. But he also made it clear that his real and ultimate aim was the concentration of power in the hands of the workers and poorest peasants. He had no doubt that once established such a régime could survive. Here he sharply conflicted with Trotsky, who believed that the workers as a class by itself could secure power, but that subsequently they would be committed to ceaseless strife or revolt against all other classes until such

time as these were wholly dispossessed, and that, clashing with the property rights of the peasantry, they would be forced to abdicate unless they received support from proletarian governments set up elsewhere throughout Europe.

Once more Lenin was accused of adventurism. It was said that he desired to "leap over" the unfinished bourgeois democratic revolution, which had not yet passed through the predestined peasant cycle. His reply was: "If I had said, 'No Tsar, but a Labour Government,'¹ I would be running this danger. But I did not say that, I said something quite different. I said that power can only pass to the soviets, the majority of members of which belong to the lower middle class. . . . In my thesis I reduced the question to one of struggle within these councils." He now confessed that, far from his aim being immediately to introduce socialism, he considered that so long as a dual system of government endured and the soviets followed the leadership of the Mensheviks and Social Revolutionaries it was even impossible to introduce a "state" of the type of the Paris Commune. Yet in the same breath he insisted that these soviets were, in fact, a form of state of a "socio-political character identical with the Paris Commune." One of Lenin's opponents, Kamenev, at once seized upon this parallel. The Commune, he pointed out, wished immediately to introduce socialism. The inference was that since Lenin desired to imitate the Commune, he wished also to introduce socialism into Russia at once, and thus to jump over the bourgeois stage of the revolution. Lenin replied that his critic had misread history. The real achievement of the Commune, he said, was its creation of a particular form of state which had already been reproduced in Russia. But he also remarked that the Commune had "unfortunately been too slow in introducing socialism."

The foregoing controversy permitted of the following conclusions :

¹ As Troski once said.

First, that Lenin wished to believe that the bourgeois democratic revolution had come to an end, and that a revolutionary democratic dictatorship of the workers and peasants such as was advocated by him before the revolution had been realised in a novel form resembling in many respects the Paris Commune. It was necessary that he should hold this belief in order to justify his conviction that the moment was ripe for a dictatorship of the proletariat and poorest peasantry.

Secondly, Lenin did not dismiss the possibility of the workers and peasants overthrowing the provisional government and setting up a revolutionary dictatorship of their own. He counselled all Bolsheviki to work for this object and said that its realisation would result in a true replica of the Paris Commune, adding that such a state would not introduce socialism at once, but would be a continuation of the bourgeois revolution in a petty bourgeois form.

Lastly, Lenin's real aim was to establish a dictatorship of the proletariat and poorest peasantry such as he had advocated from the moment of his arrival in Petrograd.

As the revolution developed the menace of civil war drew nearer. Affrighted by visions of the future, Lenin more than once changed his immediate tactics. His views from now on were written in letters, articles and pamphlets, which have been collected and published under the title of "The Road to Insurrection" by the British Communist Party. There were occasions when he was willing for representatives of petty bourgeoisie, the Mensheviks and the Social Revolutionaries to hold power, his one condition being that they should be responsible to the soviets. At other times he was even prepared for an alliance of the Bolsheviki with the Mensheviks and Social Revolutionaries, again stipulating for the supremacy of the soviets. At intervals he advocated his true objective, the dictatorship of the proletariat and poorest peasantry. Always his mind alternated between this project as a not remote ideal and a revolutionary democratic dictatorship

of the proletariat and poorest peasants. Either form, he considered, could be realised through the medium of the soviets. For him the soviets were everything!

On September 3, 1917, Lenin protested that he still believed in the possibility of avoiding bloodshed and of ensuring a peaceful development of the revolution. With this object in view he declared that he was ready to give up for the time being his idea of an immediate dictatorship of the proletariat and poorest peasantry. His suggestion was that the Mensheviks and Social Revolutionaries should form a government responsible alone to the soviets, that a constituent assembly should be summoned without delay, and that the Bolsheviks should have complete liberty of propaganda. It was evident from the comments that accompanied this offer that he was aware of the realities of the situation. He recognised that his opponents had majorities in the soviets and that the masses were exhausted from war and revolution. Yet he did not lose faith in the near triumph of his own cause. "Life is on our side," he said, "we have nothing to fear from genuine democracy." His overture meeting with no response, he reverted eleven days later to his former project of a revolutionary dictatorship of the proletariat and poorest peasantry. His reading of the situation then was as follows:—Famine is near. Events have already compelled the state to introduce a monopoly of cereals, to control production and to ration food. But the capitalists are evasive. If calamity is to be avoided, control of the whole economic system must be transferred to the workers and peasants.

Five days afterwards Lenin again proposed an alliance between the Mensheviks and the Social Revolutionaries on the one hand and the Bolsheviks on the other, urging removal of the party conflict from the street to the soviets, in whom, he contended, all power should be concentrated. Such an issue, he said, would render possible the immediate conclusion of peace, and the handing over

of all land to the peasants. It would also result in the capitalists being "watched over, inspected and controlled" by hundreds of workers. Should they prove intractable, they could be punished by confiscation of property and short terms of imprisonment. At this period Lenin inclined to leniency; a few years before he had advocated the hanging of capitalists on lamp-posts, and when his party seized power he acquiesced in the execution of thousands of capitalists, both large and small. Again, on September 27th he renewed his offer of a compromise. But he insisted that if it should be accepted and a government should be formed exclusively of Mensheviks and Social Revolutionaries responsible to the soviets, they should confiscate all estates without compensation, nationalise banks, insurance companies and the chief branches of industry, and suppress all commercial secrecy. A unique opportunity, he declared, had occurred for securing a peaceful development of the revolution. If this should not be taken then he predicted that there would be civil war between the bourgeoisie and the proletariat, accompanied by horrors more frightful than any known to history.

Economic collapse was imminent. Trains were ceasing to run, factories were ceasing to work; life slowed down. Lenin wrote: "We are approaching an unprecedented catastrophe. Everyone speaks of it; everyone recognises the danger; everyone passes resolutions. Yet nothing is done." Then he proceeded to formulate in detail his economic programme, at the head of which he placed the nationalisation of banks. "In reality," he said, "the nationalisation of banks will not deprive anyone of a single kopeck. . . . The ownership of the capital with which they operate and which is concentrated in them is certified by printed or written slips called shares, bonds, bills of exchange, receipts, etc. Not one of these slips is suppressed or altered by the nationalisation of the banks, that is, by the merging of all the banks into a single institution. Whoever has fifteen rubles in the Savings Bank will retain his fifteen rubles

after the nationalisation of banks; and whoever has fifteen million rubles will retain his fifteen million rubles also, in the form of shares, bonds, bills of exchange, notes, etc."

Lenin did not foresee that the nationalisation of the banks by revolutionary means would wholly destroy confidence in such institutions, that it would convert the slips of valuable paper of which he spoke into slips of worthless paper. Other revolutionaries with whom I was acquainted were wholly ignorant of the meaning and purpose of securities, and thought quite seriously that the banks contained great hoards of cash, the seizure and distribution of which would immediately make all the poor rich.

Lenin was convinced that the nationalisation of banks presented no difficulty. It could, he said, be accomplished "in a stroke, in the twinkling of an eye." It was his habit to make use of such phrases as these in order to demonstrate that nationalisation was a simple process. All that was necessary, he went on, was to issue a decree taking over the institutions on behalf of the state, and to make the directors and officials responsible for carrying it out. Thereafter it would be possible to control financial operations, to regulate economic life, and to avoid the payment of fabulous commissions. This irresponsible optimism contrasted sharply with the harsh realities that were encountered later when the Bolsheviks followed Lenin's counsel and nationalised the banks.

When speaking of currency apart from banking, Lenin became inexplicably orthodox. He spoke strongly of the evils of inflation. "Everyone knows," he said, "that inflation is the worst form of forced loan, that it especially aggravates the condition of the workers and the poorer classes, and that it is the chief obstacle to financial recovery." "Everyone knows," wrote Lenin, but when the Bolsheviks took the power they behaved as if they did not know and practised inflation as a deliberate and desirable policy.

In addition to the banks, Lenin considered that all the

leading industries should be nationalised, and that this measure too could be achieved "at a stroke." The capitalists did no more, he said than tear off coupons for the purpose of drawing large dividends; and the enterprises which they owned were in reality conducted by workers and clerks in whom all control should henceforth be vested.

Lenin also urged that industrialists employing more than two or three workers should be compelled to group themselves together in trusts. Their undertakings were not necessarily to be socialised, but the circumstance that they were organised in the manner described would enable "a complete, rigorous and detailed system of book-keeping" to be established, and the buying of raw materials and the selling of manufactured products to be centralised, when, "as political economy teaches us, gigantic gains will follow." As regards large undertakings, the directors and chief shareholders were to be held personally responsible before the law, and the workers and clerks, formed into associations, to see that this responsibility was accepted and carried out.

At that time Lenin much admired the trustification which had been carried out in the West for war purposes, particularly in Germany. At the back of his mind was a wish to hasten the centralisation of capital, which Marx said must of necessity be a prelude to socialism; but Marx, it should be added, contemplated evolutionary, not forced, centralisation.

One innovation which Lenin desired with especial fervour was the suppression of all commercial secrecy. Again he imagined that there would be no difficulty in the way of accomplishment. All that needed to be done, he said, was to confer upon groups of citizens numbering over a thousand the right to examine all the books and documents of any enterprise.

Lenin further advocated compulsory labour for the wealthy, the rationing of bread on a class basis and the control by the poor of the consumption of the rich.

For the first time he gave a coherent definition of what he meant by a revolutionary democratic dictatorship; such dictatorship was a régime prepared to carry into effect the measures which he had outlined. Although he must have been well aware that there was little chance of its being accepted, he continued to urge his programme upon the Mensheviks and Social Revolutionaries.

Important events swiftly followed one upon another. The country was impatient with the Provisional Government for not bringing peace, and the peasants demanded that the land should be immediately handed over to them. Bolshevik agitation was everywhere taking effect upon the masses, whose nerve was broken by the strain and exertion of the war. Out of sheer desperation they began to favour extreme courses. In municipal elections that took place in Moscow the Bolsheviks claimed that of the votes recorded nearly half were given to them; there was also a great falling-off in the support accorded to the Mensheviks and Social Revolutionaries in similar elections in Petrograd. The proportion of votes received by the Bolsheviks in the city itself increased from 20 to 30 per cent. Then, together with the left Social Revolutionaries, they had by now acquired majorities in both the Petrograd and Moscow soviets. This development coincided with revolutionary disturbances in Germany. Lenin at once grew bolder. "The world revolution," he exclaimed, "is at hand. The petty bourgeoisie are deserting the other side and coming over to us. It is a crime to wait. Seize power at once!" It will be recollected that Marx was opposed to any attempt on the part of the Social Democracy to take power without having a majority of the population on its side. Although the evidence in his favour was anything but conclusive, Lenin sought to justify the coup which he advocated by claiming that such majority did, in fact, then exist in Russia.

What sort of régime did Lenin contemplate when he advocated a revolutionary dictatorship of the proletariat and poorest peasantry? The answer to this question was

contained in "State and Revolution," which he wrote during August and September but did not publish until after the Bolsheviks had become the government. "The working classes," he said, "must shatter, break, blow up the whole state machine. . . . Not one stone must be left standing on another." Destruction having been accomplished, suppression was to continue. "It is clear," declared Lenin, "that where there is suppression there must also be violence, and that there cannot be liberty or democracy." But in the same paragraph he claimed that the Bolshevik state, while restricting the liberty of the rich, would in reality be an immense expansion of democracy; for it would be the beginning of democracy for the poor.

The first stage of communist society was the stage of suppression, which both Marx and Lenin called socialism. The capitalist state had been destroyed, but the new order having just emerged from the womb of the old, bourgeois excesses and anomalies survived. The means of production had been converted into common property, thus in theory the principle had been realised that "he who does not work, neither shall he eat," and that everyone should be entitled to receive an equal share of products for an equal quantity of work. Lenin explained that sanction of actual inequality was an inevitable survival of bourgeois law. "The state," he said, "is therefore not quite dead yet, but it is withering away in so far as there are no longer any capitalists, any classes to suppress. Thus socialism, the first stage of communism, will have been created."

Next he gave a definition of socialism. Socialism, he said, was the conversion of the means of production into common property, the equal division of the pool of products. But he went farther. He told how this was to become administratively possible. All the citizens were to be transformed into the hired employés of the state, the state being the armed workers; in other words, citizens were to become the employés of one national

syndicate, the whole of society one office and one factory with equal work and equal pay. As always when speaking of socialism, he was confident that there would be few difficulties of organisation; everything was ready for the great transition and could proceed smoothly, so he said. Capitalism had drilled the people into working conscientiously; all that was necessary thenceforth was that the armed proletariat should stand over them and see that discipline was kept up. From that moment the business would go with a perfection of rhythm. Listen to this: "The book-keeping and the control necessary for it have been simplified by capitalism to the utmost, till they have become the extraordinarily simple operation of watching, recording and issuing receipts within the reach of everyone who can read and write and who knows the first four arithmetical rules."

According to Lenin, the functions of the state were to be so simplified under proletarian rule that every literate person would be able to perform them for the usual working man's wages, a circumstance that would cheapen government service and deprive it of its glamour. "When the majority of citizens," wrote Lenin, "themselves begin everywhere to keep such accounts and maintain such control over the capitalists now converted into employés and over the intellectual gentry who still retain capitalist habits, this control will indeed become universal, pervading, rational. It will be ubiquitous and there will be no way of escaping from it." At the same time, Lenin gave warning that the escape from such general registration and control "will inevitably become so increasingly difficult, so much the exception, and will probably be accompanied by such swift and severe punishment (for the armed workers are very practical people, not sentimental intellectuals, and they will scarcely allow anyone to trifle with them), that very soon the necessity of observing the simple fundamental rules of social life will become a habit."

And what after that? The door, said Lenin, would

then be opened wide for the banishment of the whole state machine to the museum of antiquities side by side with the spinning-wheel and the bronze axe. And how would it be known that this banishment was effected? Lenin answered: "It will be known when the formula is realised: 'From each according to his ability to each according to his needs,' when there will be no necessity for any exact calculation by society of products to be distributed to its members, for each will take freely whatever he may desire. Then all antagonism between brain and manual labour will be abolished, and work of whatsoever kind it may be will be transformed simply into a 'first necessity of life.' "

CHAPTER IV

ECONOMIC DEVELOPMENT IN THE EARLY TWENTIETH CENTURY

DURING the early period of the twentieth century the trend of Russia's economic development was established. It was evident that she was undergoing a transformation such as the nations of the West had undergone a century or more before. Up to the time of the Great War industrialisation proceeded with fair rapidity. In certain respects conditions in Russia were uniquely favourable for this development. Raw materials within the country were diverse and abundant; few had to be imported. Likewise home-grown food was abundant; tea, coffee and cocoa were the only staple articles of human consumption that could not be raised from the Russian soil. Lastly, unskilled labour was abundant. But against these advantages were serious drawbacks. Skilled labour was very inadequate; specialists of Russian birth were few, and many foreign specialists, mostly of German nationality, had to be employed. Then, although capital accumulation was proceeding steadily, it was insufficient.

Yet important results had been achieved. There were few products that could not be manufactured within the country. It is true that among them were some of an indispensable character, as, for example, plant and equipment. It is also true that the home supply of most manufactures fell short of requirements. But there was every reason for believing that the nation had set foot upon the path leading to economic self-sufficiency. The progress made was demonstrated by statistics. At the end of the nineteenth century manufactures constituted one-third of the imports; twelve

years later their proportion had risen but one per cent.

In the same period there had been an addition of 650,000 workers to the number employed in factories, bringing the total up to nearly three millions, and to the value of production of 2,300 million rubles, bringing the total up to 5,738 million rubles. Owing to the narrow definitions of factories in Russian statistics, the last figure was incomplete. In the opinion of some economists the true value of industrial production was 8,000 million rubles (£800,000,000).

Details regarding separate industries were striking.

The textile industry was the largest; it employed one-fifth of all the workers engaged in factories. Between 1890 and 1912 the number of spindles increased from 3,475,000 to 8,000,000.

In 1885 the production of coal was only 260 million poods; by 1895 it rose to 555 million poods; by 1913 to 2,213 million poods.

The production of iron ore, which was 152.5 million poods in 1895, reached 532.4 million poods in 1913.

Between 1900 and 1907 the value of the production of machinery increased by 173 per cent.

In sixty years, from 1850 to 1912, the average production of each worker increased in value from 320 rubles to 1,957 rubles—that is, six-fold.

Between 1892 and 1913 the yearly wage of the average worker increased from 187.60 rubles to 264.0 rubles; but such increase, it should be added, was not equivalent to the increase in the cost of living.

Between 1900 and 1913 the national income per capita in European Russia increased from 66 rubles to 101 rubles.

Most of the totals cited were small in comparison with the corresponding totals of the leading industrial countries of the West. The production of industrial commodities as a whole per capita in Russia was one-fourteenth of the production per capita in the United States, the production

of coal and iron about one-tenth of the production of these commodities in England. The reasons for Russia's backwardness have been explained in previous chapters; they were deeply rooted in history. But the fact was indisputable that the country had made a start with industrialisation, and there was every reason for thinking that henceforth its progress would be rapid.

A considerable, if not the major, part of production of manufactured products was contributed by peasant handicrafts or small peasant workshops. In 1916 it was officially estimated that eight millions of the inhabitants of Russia divided their time between agriculture and handicrafts, and that about four millions were wholly engaged in handicrafts and petty industries making use of machinery but not included in the returns of the number of factories.

Growth of industrial production was accompanied by growth of capital accumulation. Between 1900 and 1912 government bonds and other securities placed in Russia nearly doubled, amounting in the last-mentioned year to 9,380 million rubles. More than two-thirds of Russia's capital issues were of an internal character. In 1893 foreign capital invested in Russia was not more than two and a half million rubles; five years later it amounted to 130 million rubles. To what extent it had increased up to the eve of the war is unknown. Estimates on the subject differed widely, but the fact of substantial growth was definitely established. In most of the heavy industries a large proportion of the money invested came from abroad.

The aggregate capital of commercial and industrial undertakings grew from 2,055 million rubles in 1900 to 3,458 million rubles in 1910. Between 1903 and 1913 discounts increased by 130 per cent., advances by 120 per cent. The amount of commercial credit afforded by the State Bank was larger than that given by any other bank in Europe of corresponding importance.

The growth of foreign trade was notable. Between

1891-1900 and 1911-1913 the value of exports increased from 659.8 million rubles to 1,543.4 million rubles, of imports from 535.4 million rubles to 1,235.8 million rubles. Forty-four per cent. of the imports came from Germany. The equipment of Russian industry was to a large extent of German origin. In order to make up for inadequacy of access to the sea, Russia developed continental trade routes; more than half the goods exported and one-third of those imported were carried overland.

Industrial expansion in the early period of the twentieth century stimulated agricultural development. Such development was also assisted by a series of important reforms, the aim of which was two-fold: to alleviate the poverty of the countryside, to arrest the proletarianisation of the peasantry which had been in progress for some years. By proletarianisation was meant that large numbers, unable to subsist upon inadequate plots of land, were forced to hire themselves out for part of their time under conditions frequently atrocious, or to abandon their plots altogether and migrate to the towns.

The land problem was the central problem; had it been solved, then Russia would have been assured of greatness and prosperity. Ninety-eight per cent. of the population depended for their livelihood upon the soil. In two centuries this population had increased thirteen-fold. Only Asiatic countries could parallel such a growth. In 1861 the number of peasant households¹ in the fifty provinces of European Russia was 8,450,780; in 1916 in the forty-eight provinces for which statistics were available such households totalled 15,712,000, that is to say, in about half a century they had nearly doubled. Considered from the space-aspect alone, Russia had abundant room for her multiplying millions. There were only thirty-one persons to each square verst of European Russia, and hardly one-fourth of that number

¹ It was reckoned that on an average there were 5.3 persons to each household.

for each square verst of Asiatic and European Russia combined. The density of population thus reflected was extremely low—one-sixteenth, for example, of that of England. Yet it was higher than that of the United States, and of all the extensive cereal-growing countries outside Europe. But certain parts of Russia were very thickly populated, more so, in fact, than parts of France. The statement, therefore, that Russia was over-populated was literally true of some areas. In reality, what was meant by it was that, taking the country as a whole, the land brought under cultivation was insufficient to support the rapidly growing population.

Yet if there was one thing abundant in Russia it was land. The use made of it, however, was piteously inadequate. As much as one-fifth of the whole, if not more, was allowed to lie fallow. As regards peasant holdings, the proportion was as high as a half. Wide spaces in European Russia could have been made available for agriculture, and in Siberia it was estimated that at least 600 million dessiatins were suitable for cultivation, one half of which was ready for immediate settlement. It would be a modest estimate to say that not more than a third of the surface of the Russian Empire was put to profitable use.

Thus it was plain that the poverty of the masses and the proletarianisation of the peasantry were due not to insufficiency of land but of production. It was plain also that without even attempting to raise yield a remedy could have been found by drawing upon the vast land reserve which was available. As a matter of fact this remedy was applied, but not always with that vigour which the extreme urgency of the situation called for.

Between 1878 and 1905 the area farmed by the peasantry was enlarged to the extent of forty million dessiatins. This addition was made chiefly at the expense of the landed proprietors, who during that period parted with more than a third of their holdings. In the half century from 1861 to 1917 the area occupied by the

peasantry increased to the extent of fifty per cent., but the population had so multiplied that the size of an average holding diminished by at least ten per cent. Experts calculated that in 1916 such a size was 11.9 dessiatins of which 4.1 dessiatins were usually under crops, about double the amount necessary for bare subsistence.¹

A quarter of the total number of peasant farms comprised less than five dessiatins, and about one million were so small as to be below the minimum considered necessary for existence.

Apart from peasant proprietors the landowners as a class were not numerous. Together with their families they numbered less than one and a quarter million, of whom 800,000 were described as gentry. Of all cultivable land the proportion owned by them was little more than one-fourth. After the revolution of 1905 their decline was very rapid. Each succeeding year the area which they held diminished. Each succeeding year they reduced the proportion of arable land which they cultivated, leasing the remainder to the peasants. By 1916 such proportion had fallen as low as one-tenth. When the Great War came most of the estates were not large for Russian conditions. Many of the proprietors were then insolvent, but there was a prosperous nucleus consisting of those who disposed of some capital, and who had intelligently managed their property. It was not unlikely that the growth of individual peasant farming then proceeding so rapidly would have been accompanied by a revival of estates, more especially as technical development was spreading throughout the countryside and the modern tendency was towards cultivation on an extensive scale with efficient mechanical equipment.

The conditions described pointed to one important conclusion: that there was no justification for the assertion of revolutionary agitators that the insufficiency of land from which the peasants suffered arose from the

¹ "Russian Agriculture during the War," by Alexis N. Antsiferov, p. 23, Chap. I. Yale University Press.

existence of big estates. The only possible remedies for such insufficiency were industrialisation allowing of the absorption of superfluous peasants in the factories, land reclamation and internal colonisation.

Allusion has already been made to the first of these measures ; the remainder constituted the agrarian reforms introduced by Stolypin in 1906. The chief aim of these reforms was to bring about the dissolution of the village commune with its scattered fields, substituting for it the individual farm with compact enclosed fields. At this period it was impossible to define with accuracy the nature of the commune, which varied according to region. But on the whole it could be said that it was neither communal nor individual, being a bad mixture of both. Such collectivism as it practised was sufficient to retard private initiative and technical progress.

The legal basis of the commune was the vesting of land in the community of a village or of several villages. For the purpose of cultivation this land was distributed among the members of the community according to the working capacity of the adult males in each family or the consumption standard of each household. In order to provide for growth of population it was stipulated that periodic redistribution of land should take place. Actually over large areas no such redistribution had occurred from the time of the Emancipation, and the statistics of the Ministry of the Interior revealed that in fully half the communes there had been no redistribution for a quarter of a century. Leases and exchanges of plots freely took place, and sometimes leases were for so long a period as virtually to constitute sale. Thus, as a consequence of omission and evasion, private ownership, though legally unrecognised, had in reality become very widespread.

Yet, because it was confined within the framework of the commune this private ownership suffered from many of the disabilities of collectivisation. Each individual, for example, was required to place his fields at the disposal of the commune for grazing purposes. Rotation of

crops was arbitrarily determined. No matter what kind of tenure prevailed, holdings were divided into strips, a system of delimitation which was fatal to progress. These strips were remote from dwellings, widely scattered and so narrow as only to allow of ploughing lengthways. Access was so difficult as to compel uniformity of cultivation. An individual could only work upon his strip when all other members of the community worked upon their strips, and he could not do otherwise than sow the same crops as they did.

Although the commune was the creation of the Emancipation of 1861, its ultimate dissolution was then dimly contemplated, for it was laid down that by a majority of not less than two-thirds, any commune could break up and pass to individual ownership; or that a peasant having completed his redemption payments could claim his share of the land in a form convenient of enclosure. Little advantage was taken of these privileges. At that time agriculture was conducted on a very primitive basis and was severely localised. Hence the mujiks dreaded to quit the commune and embark upon the adventure of individual farming. Later on, when they began to overcome this fear, obstacles were put in their path. In 1893 a law was passed prohibiting the completion of redemption payments before the prescribed time without the consent of a majority of not less than two-thirds of the commune. It was also laid down that land which had been paid for could be disposed of only to members of the commune. The intention was to tie peasants to the land through the medium of the commune, and thus prevent the growth of destitution. But the situation was such that no measures of this kind could remedy it. There were too many peasants, too few plots. Thus the continuation of the process of proletarianisation was unavoidable.

Towards the end of the nineteenth and the beginning of the twentieth century the number who were convinced that the commune had outlived its usefulness was extremely

large. From different motives this view was held by a section of moderate opinion, conservatives and liberals, and by numerous experts, and extreme revolutionaries. The first held that the commune was a source of weakness to a modern state with imperial commitments so vast as those of Russia. They considered that individualism would be more fruitful, that it would guarantee orderly development and national stability, at the same time insuring the perpetuation of the monarchical system. In their view, far from being a restraint upon the development of socialism, as some asserted, the communes stimulated socialism by repressing the instinct for private property in the peasantry. Statistics quoted at the time showed that the tendency within the communes was not towards collectivisation, but rather towards a widening separation of rich and poor. Witte, it may be remarked, predicted that Russia would undergo a calamity of calamities if she did not overthrow such a system, and establish individualism.

Experts favoured individual farming on the sole ground that it would be more productive than the commune. Extreme revolutionaries, including the Bolsheviks, also considered that the commune was an obstacle to the growth of production. They insisted that it was archaic and feudal and urged its replacement by socialist forms of organisation according to modern conceptions.

A section of old-fashioned conservatives and the Social Revolutionaries, successors to the Narodnichestvo, upheld the commune. The first looked upon it as the very backbone of Russian society, asserting in opposition to conservatives of the individual school that it was the true repository and safeguard of the monarchical tradition. On the other hand, the Social Revolutionaries argued that the commune was the true embryo of socialism, and not a degenerate feudal growth, as the extreme revolutionaries alleged.

From time to time measures were adopted the purpose of which was to alleviate the financial burdens resulting

from the commune, to deprive it of fiscal function, and to make way for its gradual dissolution. Joint liability for taxation was abolished and the balance of redemption payments due amounting to one milliard rubles was remitted. Then in 1906 and succeeding years the memorable reforms of Stolypin, to which I have alluded, were introduced. The scope of these reforms was magnificently broad. They sought to accomplish not merely a speedy and drastic transformation of agriculture, but deep and daring changes in the social structure of the country. That the new measures were a sequel to the revolutionary outbreak of 1905 there was no doubt. Thus, as with all historical achievement in Russia, they were belated. Had more time been available for giving effect to them, the great calamity of later years might perhaps have been averted.

The chief object of the reforms was the creation of individual enclosed farms. Hardly of less importance were the facilities introduced for migration to Siberia.

Conferment upon the peasants of the right to leave the commune was a charter of liberty, and a death-blow to patriarchalism. Up to this time the head of the family had been a despot whose authority had the sanction of law. He allotted work and disposed of property. His permission had to be obtained before a younger member of the family could leave his native place.

Between 1907 and 1913, the year before the war, two and a half million applications were received from peasants who desired that the apportionment of communal land which they cultivated should become their own private property. Effect was given to 1,900,000 of these applications, a total embracing one-fifth of all members of communes, and thirteen per cent. of all land held by them. During the same period three and a half million households, occupying thirty-one million desiatins, automatically became owners of their holdings by virtue of a law which allowed them to do so, provided that their land had not been redistributed since the

Emancipation. So far, however, certificates of appropriation had only been issued to 385,000 households.

Appropriation was merely a stage, though of course an important one. The final accomplishment was enclosure. Up to the eve of the war over a million holdings had been enclosed. According to some well-informed estimates the total number of individual farms of all kinds at this period was not less than seven millions; thus fully half of all the peasant households had abandoned the commune.

Encouragement of migration met with considerable response. Between 1906 and 1909 there was a great exodus to Siberia. Within that period two and a quarter million peasants settled there. In subsequent years until the war the average yearly migration across the Urals numbered about 200,000. These statistics reflected the acute insufficiency of cultivable land in European Russia. It was evident that if the requisite financial resources had been available for colonisation there would have been no limit to the number of peasants fleeing to Asiatic Russia.

I have spoken merely of the two outstanding achievements of reform, but in other spheres much was also accomplished. Many of the more odious restrictions in the commune, as, for example, compulsory rotation and collective grazing, were abolished, while progress was made with the abolition of strips and the concentration of communal as well as of individual holdings. Between 1907 and 1917 over thirteen million dessiatins of land held under both forms of tenure were so dealt with.

On the eve of the war there were many indications that Russian agriculture was slowly emerging from primitiveness. In 1913 the value of machinery purchased for the countryside reached 100 million rubles, of which half was manufactured at home. Between 1910 and 1917 the quantity of modern implements in use increased at least three-fold. At the beginning of 1913, 22,000 co-operative societies had been established. It is true that

included among them were many quite small organisations, but there was no doubt that the co-operative movement bore promise of becoming a mass movement among the peasantry. Agricultural education was rapidly spreading. Between 1907 and 1917 the number of students doubled, amounting in the latter year to 18,000, whilst during the same period the students attending special courses increased four-fold, amounting in 1917 to nearly 300,000.

Material achievement was also striking. Between 1895 and 1913 the value of agricultural production rose from one to twelve milliard rubles, of agricultural exports from 608 to 1,500 milliard rubles. Export of cereals fluctuated. Yet, taken over a period of years, they showed considerable increase. In 1907-8 they amounted to 411.4 million poods, in 1910-11 to 959.8 million poods, in 1912-13 to 895.4 million poods. In 1909-13 the total surplus of cereals available for market after the peasants in producing regions had satisfied their own needs was 1,180 million poods. Half of this total went to feed the population of the towns and of the non-producing rural regions. The other half was exported. One fact stood out: home consumption was increasing at a faster rate than exports. Such increase was indicative of improvement in the standard of living.

The era of railway development which began with the Emancipation and quickened at the end of the nineteenth and the earlier part of the twentieth centuries caused deep changes in the commerce of the countryside. Although the verstage constructed was very inadequate, it was yet considerable. As communication increased the process of decentralisation of markets went on, and the relatively big buyers having large trade capital at their disposal gave way to numerous small buyers with whom came a system of financial credit. Merchant and peasant strove to cheat one another, and frequently the peasant, because he was poor, got the worst of the bargain. Thus the grain market was chaotic, but the fact that facilities now existed

for the more rapid circulation of produce proved beneficial to buyers and sellers alike. Yet, viewed as a whole, agriculture remained in a sad state. With the lowest yields of cereals of any prominent nation Russia was required to sustain a population denser than that of the United States or of any great agricultural country excluding China. Yield was the essence of the matter. The reforms of the early twentieth century were well-conceived, but the evils which they sought to remove were so deeply embodied in history and the population involved was so enormous that progress, which in reality was rapid, could never be sufficiently so. Raising the standard of cultivation necessitated changing the habits and removing the prejudices of millions of petty and illiterate farmers. The technical means requisite for so drastic a transformation were lacking. Roads were poor and few. Railways were insufficient. Between 1909 and 1912, 10,000 versts were constructed, bringing the total up to 63,000 versts, or 43,000 more than existed at the beginning of the twentieth century. But most of this verstage was built for political and military, not for economic, ends. In comparison with western countries, Russia was ill provided with railways. Whereas Belgium possessed thirty kilometres and Great Britain twelve kilometres to each 100 square kilometres of territory, European Russia had only one kilometre for the same area. In addition to being infrequent, Russian trains were slow, and much of the rolling-stock was old and worn out.

Scarcity of capital was responsible for the inadequacy of communications. This scarcity also bore hard upon agriculture. It meant not merely shortage of equipment, but of fertilisers. Owing to low yields, farming practice was extensive, but not so extensive as in the United States, Canada, Australia or Argentine, where, in contrast with Russia, land was plentiful, and where yields, though lower than those of most European countries, were considerably higher than in Russia. In these circumstances

Russia was at a disadvantage on the world's market. Yet it was of vital importance that she should export as much grain as possible, for only by so doing could she pay for imports and meet charges on foreign debt, which amounted to not less than 180 million rubles yearly. In 1913 grain constituted thirty-nine per cent. of her exports; between 1907 and 1912 her export of five principal cereals amounted to twenty-eight per cent. of the total exports of such cereals by all the countries of the world. One effect of the swelling of export in order to ensure a favourable balance of trade was that the peasants disposed of cereals which they should have consumed themselves. They were induced to do so because they were in sore need of money, and cereals brought higher prices than other commodities.

In 1914 Russia's national debt was 8,811 million rubles, two milliards more than in 1900. One half of this sum was of foreign, the other of domestic origin. Nearly sixty per cent. of the foreign debt was contracted in twenty years prior to the war.

Ordinary expenditure of the state budget was covered by revenue, and sometimes there was a surplus, but extraordinary expenditure, which was incurred mainly for railway construction and for military and naval purposes, was partially met from foreign loans. On the eve of the war, Russia was in the unfortunate situation that she had not merely to import capital for these objects, but also for general industrial development and for meeting interest and amortisation on her debt. Her economic situation at that time may be summed up as follows: The development of capitalism had made considerable progress. Such progress was more apparent in industry than in agriculture, but in neither had it reached that degree of concentration and progress which Marx declared to be essential for transition to socialism.

A tendency towards grouping or trustification was noticeable; several large industries had formed themselves into syndicates. Manufacture on the whole was

competent; most commodities produced were equal, whilst some were superior in quality to corresponding commodities produced in the West. Inevitably agriculture was slow moving. The survival of the village commune was evidence of the survival of primitiveness. For its abolition more than a change of law was necessary. Technical and psychological reformation was called for. Much progress had been made towards the creation of individual farms and the regeneration of agriculture as a whole, but the majority of peasants remained deeply impoverished. With few exceptions the situation of the landowners was precarious. Absenteeism was much practised by then.

A census taken in 1916 showed that the number of large farms ranging from 13·8 to 170·4 dessiatins in area was 101,560, or roughly about ten per cent. of the area under crops. Such farms employed hired labour and, according to Bolshevik definition, were of a capitalist character. In view of the small proportion of the cultivated surface which they occupied in comparison with peasant family farms, it could hardly be said that capitalism had made great headway as regards Russian agriculture. It should be added that the yield of cereals per dessiatin was between twenty and fifty per cent. larger from landowners' estates than from peasant farms, but it was much lower than the yield of the landowners' estates in other European countries where more intensive cultivation was practised.

Indispensable for the advancement of agriculture was industrialisation. The difficulty was to establish a healthy relationship between the two spheres, and so arrange that industry should become closely interwoven with the economic fabric of the nation and not merely a superstructure imposed upon it. It could not be forgotten that industry had been largely established by means of foreign capital, and that its development also largely depended upon such capital being forthcoming in the future. These circumstances were not to be deplored

so long as they stimulated internal accumulation. That this accumulation was proceeding has been shown by statistics set forth at the beginning of the present chapter. The rate of its progress was determined mainly by the rate of the progress of agriculture, which in turn was regulated to a considerable degree by the pace of industrialisation, for it was only by industrialisation that the market for the products of the soil could be extended, an outlet found for the superfluous population of the countryside, and modern equipment secured.

In addition to being largely dependent upon foreign capital for industrial development, Russia also had to rely upon it to a considerable extent for the strengthening of her military organisation. Had she not been able to procure it for this purpose, she would have been as good as defenceless before the attack of any great Power. Thus her situation was not envious. Either she had to become a heavy debtor to the western nations, or so weaken herself as to invite aggression. Yet, as has been said, when the Great War broke out there was much evidence to show that she was building up great reserves of her own.

CHAPTER V

THE GREAT WAR—PERIOD OF THE PROVISIONAL GOVERNMENT—FINANCIAL CHAOS—PILLAGING OF ESTATES (1914-17)

As a result of the Great War the state sank deep into insolvency, and the monetary system was thrown into chaos; but the well-being of the peasantry, who constituted the overwhelming majority of the population, was raised.

The allied blockade of Germany was virtually a blockade of Russia. Only Archangel in the north and Vladivostock in the east were accessible to shipping. Imports were restricted chiefly to war materials. Exports fell to small proportions. In the year before the war Russia exported commodities to the value of 1,142 million rubles; in the third year of the war the value of her exports was only 446 million rubles. A favourable balance of trade amounting to forty-six million rubles in the year before the war was replaced by an unfavourable balance of 2,000 million rubles in the last two years of the war.

War expenditure was covered largely by issues of currency and loans. In 1914 the currency notes in circulation amounted to 1,630 million rubles, and the gold reserves of the State Bank were 100 million rubles in excess of that sum. By March of 1917, when the Provisional Government assumed power, the currency notes in circulation had been increased to 11,786 million rubles. Between the two dates mentioned the value of the ruble had diminished by nearly one-third. In 1915 the deficit on the budget was 74.0 per cent., in 1916

76.0 per cent. of the whole expenditure. From a quarter to a third of this deficit was met with currency issues. The remainder was mainly covered by loans. During the war the national debt increased by seventeen milliard rubles, of which eight milliards represented foreign loans.

No reliable statistics are available concerning industry during the period of the war. Owing to the scarcity of manufactured goods on the market, it appeared that production had seriously fallen. But in reality the decline was not so large as was supposed. Most factories were engaged chiefly in the production of goods for war purposes. Yet despite this circumstance the army was not adequately supplied. Thus the requirements neither of military nor of civilian population were met; but the first was always given preference, for which reason the last suffered the most. In the later years of the war shortage of skilled labour affected output, particularly qualitatively. And at all times insufficient transport delayed the conveyance of raw materials to the factories and of finished products to markets.

This problem of transport was perhaps the most difficult of all problems which confronted Russia during the war. The efficiency of the railways was greatly increased, but never to an extent such as enabled them to cope with the enormous additional traffic which they were called upon to carry. In these circumstances all the disabilities arising from the maldistribution of the system were fully felt.

At no time during the war was there a shortage of food in the country as a whole. A census taken in 1916 showed that the area under cultivation was fifty per cent. in excess of that needed for the satisfaction of the wants of the population. For the first three years of the war the harvest was almost equal to that of pre-war. Although the area under cereals diminished slightly, the peasantry actually expanded the whole area cultivated by them to the extent of thirteen million dessiatins. In view of the fact that of the thirteen million men mobilised, eleven

million were peasants, the results achieved by those left upon the land were remarkable. More remarkable still, was the circumstance that these results were the reward of increased exertion. Although aggregate production was not larger than before the war, the income of the peasantry substantially grew, the reasons being: high prices of agricultural products; decrease of expenditure due to prohibition of alcohol, and reduction of families caused by absence of men at the war; allowances paid to the relatives of those conscripted for military service; and compensation awarded for cattle, horses, and carts requisitioned. Owing to the scarcity and exorbitant prices of manufactured articles, the peasantry preferred to hoard rather than to spend money. And despite the fact that the ruble was continually depreciating, they adhered to this preference down to 1917, when the revolution occurred.

Whilst increasing their savings, the peasants also raised their standard of living. The cessation of exports was not followed by contraction of demand, for the requirements of the army were so large that they replaced to a considerable extent the purchases of foreign markets in the past. But incentive to sell grain was restricted by the difficulty of finding manufactured goods whereon to spend money. Yet until the end of 1916, when commodity exchange became badly disorganised, grain was marketed in considerable quantities. Only in this way could the large surpluses of the landowners be disposed of. Then taxation forced the peasants to part with large supplies; high prices of manufactured articles also had the same effect, for although the village purchased as few of these articles as possible, it could not go wholly without them. Lastly, although barter crept in to a perceptible extent, money retained prestige up to 1917. Yet after allowance has been made for all these circumstances, the fact remained that the peasantry consumed more of their own produce during the war, and particularly its later stages, than they did before the war.

In contrast to the peasants, the landowners suffered

severely from the prevailing disorganisation. The peasants used primitive implements which could be made by village handicraftsmen; the landlords used modern machinery, the importation of which was cut off by the blockade, and the home output of which was greatly diminished. The peasants, farming small-holdings, made up for shortage of labour by increased effort, and whilst desiring to improve their standard of living, had modest conception of what this standard should be. The landlords, farming large areas, could not overcome the shortage of labour occasioned by the circumstance that the peasants, wholly preoccupied with their own holdings, no longer hired themselves out for work. Cessation of emigration, influx of refugees and employment of prisoners of war only partially alleviated this shortage. Unlike the peasants, who were chiefly concerned with raising food for their own consumption, the landlords largely depended upon producing supplies for the markets. In view of all the conditions described, it was not surprising therefore that by the end of the war, whilst the cultivated area of the peasantry had increased by thirteen million dessiatins, that of the landlords had decreased by fifteen million dessiatins.

Although there was a sufficiency of food in the country as a whole, as early as 1915 shortage made itself felt in certain localities, mainly the towns. Towards the end of 1915 this shortage extended to the army. Breakdown of supply was due to a number of conditions, the chief of which was inadequacy of transport and lack of manufactured goods with which to effect exchange for agricultural goods. Not a few contributory causes were due to government attempts at regulation. In the beginning powers were conferred upon army commanders to prohibit the removal of supplies from the areas under their control. The consequence was isolation of consuming from producing regions. After the powers mentioned had been withdrawn, this isolation was perpetuated by defective transport.

Later, under a central council, representative of various government departments, large numbers of local councils were created to manage the food supply of both army and population. Efforts to avoid dealings with middlemen, who usually purchased half the grain sold, failed. Likewise, requisitioning met with no success. Only a small proportion of the pre-determined levies was collected. As time went on the tendency was to strengthen state control. Central boards were set up to regulate various industries, as, for example, those of sugar, flour and salt. The Government concentrated in its hands the purchasing of sugar at fixed prices, and eventually the wholesale distribution of supplies. But inasmuch as production and raw material were not controlled, the industry remained on the basis of private enterprise. The milling industry was as good as nationalised. The prices of all transactions in both grain and flour were fixed, and millers were reduced to the status of government commission agents.

In addition to flour and grain, the prices of many staple commodities were fixed. Rationing of certain commodities was also introduced. But disregard of these restrictive measures was extensive. Prices went up throughout the whole period of the war. To the causes already mentioned as responsible for this rise must be added speculation, which was practised not merely by individuals, but by institutions, including banks. Autocratic in name, the Government was to a large extent powerless in action. In a country so vast as Russia, populated by millions of mujiks who had no conception of law and order, it was impossible for the state effectually to regulate economic conditions; and its efforts to do so led to consequences which more often were disastrous than beneficial. Yet the situation was far from hopeless. According to Russian authorities, neither the increase of prices nor the dearth of commodities became catastrophic until the second half of 1917, some months after the outbreak of revolution. In the beginning of that year

long queues were to be seen outside bread shops. But queues at that time were not an unfamiliar sight in other countries.

When the revolution broke out in March the situation was full of contrasts. The state was irretrievably bankrupt, but the peasantry had raised their standard of living and many industrialists and speculators had enriched themselves; the currency was demoralised, but the population still had faith in money, for the deposits in savings banks amounted to 3,740 million rubles, compared with 1,704 million rubles on the eve of the war; food was short in the army and in the towns, but was abundant in the country; industry was still working at full strength, though, owing to the war, equipment had been neglected and much of it stood in need of renewal.

After the Provisional Government seized power catastrophe came swiftly. Between March 1 and November 1 the paper currency in circulation was increased by ninety per cent.; during the same period prices went up 224 per cent., whilst the ruble went down to one-tenth of its pre-war value. As Professor Yurovski said, the old monetary system was dead and buried.

In spheres other than that of finance chaos reached calamitous proportions. Many of the measures adopted by the new Government were of a nature such as to prepare the way for Bolshevism. The bureaucracy was enormously expanded. The Ministry of Food became a gigantic department; as officials increased, the quantity of food in the towns decreased. An attempt which was made to set up a real state monopoly of grain failed. The Government was to own all supplies, and was to make itself acquainted with the extent of those available in different provinces and with the needs of the army and the population. Orders were to be despatched to local authorities to furnish supplies from stocks in hand and to other local authorities to receive and distribute these supplies. Instructions were also to be sent to local authorities to determine the quantity of grain necessary

for the consumption of the household of each producer and to requisition the remainder for the state. But such instructions were not extensively carried out, for wherever applied they were usually found to be impracticable. For this and other reasons the grain monopoly was only partially accomplished. Later the Bolsheviks revived the idea, not hesitating to make use of harsh compulsion as a means of extracting supplies from the peasantry.

Whilst the Provisional Government was in office the agrarian movement developed into open rebellion. Included in the Government and amongst its supporters were many members of the intelligentsia class who had inherited the reverence of the *Narodnichestvo* for the village commune and who wished to see this form of collective self-government extended among the peasantry. They considered that expropriation of estates was essential to the carrying out of their policy. Land committees were created and charged with the task of instituting reforms. Their powers were vague, and consequently they regarded themselves as justified in resorting to extreme measures, one of which was the fixing of an absurdly high level of wages. When Kerenski became head of the Government, the laws originated by Stolypin which encouraged peasants to leave the village commune and take up individual holdings were abrogated. At the same time, the Ministry of Agriculture issued instructions which were so worded as almost to condone pillaging of the landlords' property. Aroused by revolutionary agitators who overran the countryside, intoxicated by that passion for landownership which had reigned in the heart of the peasantry for centuries, hordes raided estates, burned down manor houses, and seized crops.

CHAPTER VI

THE BOLSHEVIK REVOLUTION—PERIOD OF WORKERS' CONTROL—NATIONALISATION OF LAND AND BANKS

AFTER the seizure of power by the Bolsheviki on October 25th—that is, on November 7th, according to the old style, a period of eight months elapsed before the system which became known as War or Military Communism was established. This period was one of dreadful and unceasing anarchy. At first life was a mingling of the usual and the unusual. Those who did not actively participate in the revolution continued their customary habits. Theatres and restaurants remained open; Chaliapin appeared at the opera and performances of the ballet were given. Outside shops were long queues, from which complaints could be heard of the shortage of food, particularly of the bread ration, which was little more than a quarter of a pound daily for each person. Robberies were of frequent occurrence, and armed residents guarded the entrances to blocks of dwellings.

The new Government took up quarters in the Smolny Institute, a vast building used in Tsarist times for the education of young women of the noble and official class and occupied since the revolution by the Soviet of Soldiers and Workers. Here had assembled an excited throng of men of all classes and all views. Most of them had not slept for several nights and many had not shaved or washed for several days. In corridors played children of revolutionaries who had been allotted living accommodation within the building. Frenzied activity prevailed. A government, into which odds and ends largely entered,

was improvised on the spot. Individuals of few qualifications and of humble origin found themselves suddenly raised to high place. One was given an important appointment in the Foreign Office because he spoke one or two languages, another became Commissar of Finance on the strength of having been a bank clerk in France, a third was made director of the State Bank because he had been a student of economics at London University.

Lenin signed almost anything put before him by his nearest colleagues. As fast as they could be committed to paper, all reforms of which the Bolsheviks had dreamt in exile were translated into decrees, and these decrees were immediately published. Had it been possible to carry them out the kingdom of heaven on earth as conceived in communist literature would have been instantly realised ; but far from being able to reconstruct the social system, the new Government was powerless for a considerable while to exercise even the simplest administrative functions. Such impotence was the outcome of a refusal by the officials of the various departments, including postal and telegraph servants, to work for the new régime, a resistance only broken down when it became clear that the disappearance of the Bolsheviks in the near future was not to be anticipated and when the strikers had been threatened with deprivation of rations.

Yet even among the Bolsheviks themselves many were of opinion that assumption of power was an insane adventure. Krassin, for example, remarked : " I feel that I am in a madhouse, and have only one desire—to run away. . . . It cannot continue for long. It is a throw of the dice on immediate socialism not for Russia but for the whole world . . . a mad adventure . . . nothing but dangerous raving." Eleazarov (Lenin's brother-in-law) said : " Raiders have accidentally grabbed Russia and don't know what to do with it." And others exclaimed : " Everyone has become a Pugachev."

Three of the earliest acts of the Bolsheviks were con-

fiscation of land and nationalisation of banks and foreign trade. Through the medium of numerous congresses the peasants were demanding the immediate expropriation of large estates. In many regions they had already seized tracts of land. In order to win their support, the Bolsheviks on November 8 issued a decree declaring that all land belonging to the Crown, to the Church, and to the landowners should be placed at the disposal of volost land committees and rural soviets until such time as the Constituent Assembly should be summoned and new agrarian laws formulated. When Lenin was reminded that this decree was no more than a fulfilment of the policy advocated by the Narodnichestvo and their successors, he made reply: "Does it matter who is the author? . . . We cannot circumvent the decisions of the masses, even if we are not in agreement with them. . . . What is important is that the peasants should be convinced that landlords are no more, and that they should have an opportunity of ordering their own lives." At the same time the decree counselled the peasants to follow instructions which the All-Russian Soviet of Peasants had drawn up for the guidance of local soviets. These instructions set forth that all land, including peasant holdings, should be regarded as national property and re-distributed according to local conditions and labour and consumption standards. Fearing to antagonise the peasants by formally nationalising their land, the revolutionary government resorted to indirect means in order to achieve its aims. In sanctioning equal distribution of land it won the support of the majority of peasants for drastic confiscation, and although it was compelled to acquiesce in the perpetuation of occupying ownership, it established the fact that in reality all land belonged to the State.*

Two months later the banking system was nationalised. While thus fulfilling one of the chief requirements of

* Further details regarding the nationalisation of land are given in Chapter XLI.

their policy, the Bolsheviks were compelled from sheer necessity to act as they did. Private banks had closed and bank employ  s were on strike. Demands made upon the State Bank for large sums wherewith to carry on the government met with refusal. One day towards the end of December the draft of a decree for the nationalisation of twenty-eight banks and credit institutions was placed before Lenin. After glancing hastily at it, he appended his signature. On the night of December 30 twenty-eight detachments of Lettish sharpshooters proceeded to the homes of the chief directors of the twenty-eight banks and credit institutions. In twenty-eight motor cars these chief directors were escorted to the Smolny Institute, where twenty-eight beds awaited them in guarded rooms which had once been occupied by lady students. At the same time possession was taken of the establishments over which the prisoners had presided.

The consequences of the nationalisation of banks were altogether different from those which Lenin had anticipated. "In reality," he wrote on the eve of the revolution, "the nationalisation of banks will not deprive anyone of a single kopeck. . . . The ownership of the capital which they operate, and which is concentrated in them, is certified by printed or written slips called shares, bonds, bills of exchange, receipts, etc. Not one of these slips is suppressed or altered by the nationalisation of banks. . . . Whoever has fifteen rubles in the savings bank will retain his fifteen rubles after the nationalisation of banks; and whoever has fifteen million rubles will retain his fifteen million rubles in the form of shares, bonds, bills of exchange, etc."

After the nationalisation of banks, the reverse of what Lenin predicted happened; Government securities were confiscated, and such value as was left in securities of other kinds vanished; large sums of money on deposit were stolen, and the value of the remainder continued to decline at an accelerated rate; safes were forced open and

valuables expropriated. From the moment of their nationalisation the institutions were deserted, for it never occurred to anyone to entrust savings to them. No private enterprise was allowed to withdraw more than 1,000 rubles. The effect of this restriction was to bring the whole credit system to a sudden standstill.

On April 23 foreign trade was nationalised. Owing to the blockade this measure had little immediate consequence. In order to secure commodities from abroad the socialist state, which forbade private trade within the country, was compelled to have dealings with blockade-runners, and generally speaking to encourage private initiative as far as contraband was concerned. After the state had assumed proprietorship of foreign trade there was a lull in nationalisation. Meanwhile the workers were taking control or possession of numerous enterprises. This practice was not new; actually it began while the Provisional Government was still in office. From the moment when the autocracy was overthrown, trade unionism, hitherto subjected to repression, gathered strength. At a conference of delegates of all the unions held on June 20, 1917, the economic crisis was considered. Bolshevik representatives urged that no course was possible other than the waging of class war with a view to the conquest of power by the proletariat, but this proposal was rejected, and a resolution passed to the effect that state control of industry was indispensable for economic health. The setting up of committees of workers in numerous factories followed; these bodies claimed wide powers, and even thus early some of them sought to depose the management, whilst several went to the length of seizing undertakings and expelling the owners. For the reason that the Provisional Government lacked authority, its attempts at mediation failed. With the disappearance of the Tsarist Government had gone respect for all government.

In the first moments of the revolution the masses were neither conscious of their liberty nor aware of their

strength. But this period of non-realisation was short-lived. Freedom having been the antithesis of Russian experience, it was natural that it should become the watchword of Russian revolt. But although upon the lips of everyone, it was in the hearts of none, for the Russian, least of all men, understood it. Fearing to mar their rhetoric and to imperil their popularity, even moderate leaders refrained from counselling restraint.

More positive was the attitude of the Bolsheviks. "Steal what has been stolen!" Lenin had said. Regarded by his enemies as the expression of criminal mentality, by extremists as the expression of revolutionary audacity, this exhortation at once achieved widespread publicity. Lenin no sooner uttered it than he half regretted having done so. "I said it and forgot it, and they have made a whole programme out of it," he exclaimed. Repeated by thousands of voices, "Steal what has been stolen!" gave a sanction for plunder which had hitherto been lacking. Into millions of heads, dulled by deprivation and illiteracy, there penetrated realisation that law no longer existed. At once the anarchy that for centuries had lain repressed in the Russian soul was unchained; and it seemed that all the people's virtues had vanished and that only their vices remained.

One after another the unions, with the exception of those consisting of banking and commercial employés, of printers, postal servants, and railwaymen, went over to the Bolsheviks. This landslide to the left coincided with the growing paralysis of industry. Many factories were closing, the reason being either lack of raw material or of financial resource. As soon as the Bolsheviks triumphed, the workers demanded that control of industry should be given to them. What they meant by control they did not and could not explain, but it was evident that for most of them the word signified liberty to work when and how they pleased.

One of the first acts of the new régime was to draw up in consultation with trade union officials a decree relating

to workers' control over industry. This decree, which was issued on November 29, forbade the seizure of enterprises by factory committees, but conferred upon them wide powers of management, including rights to supervise production, to ascertain cost of production, and to inspect correspondence and books. The aim was to give effect to principles advocated by Lenin. It was seriously believed that the workers would exercise control not for their own selfish ends, but under the guidance and in the interests of the state; and that from the moment when they did so production would increase so rapidly as to cause the whole proletariat to become rich. But events proceeded in a manner quite contrary to these dreams. In numerous undertakings the workers demanded that the managers, whilst submitting to ignorant dictatorship, should conduct business not less successfully than they had done before and, when utter confusion resulted, dismissed them. Some enterprises were confiscated on the plea, not always groundless, that the owners restricted output or damaged equipment and organisation, others again were taken over because the owners absconded, or because it was suspected that they would abscond, taking with them all cash that they could lay their hands on. Not rarely was expropriation practised under the illusion that it would enable wages to be raised.

Whenever the workers assumed proprietorship they behaved egotistically. Often they refused to sell to other enterprises products indispensable for a continuation of manufacture, preferring to secure higher profit by disposing of them direct to individual consumers, or they took these products for themselves and sold them for their personal gain. A condition in which the workers were both employers and employés swiftly brought catastrophe. Endless wrangling took place. The factory ceased to be a workshop and was transformed into a political club. Those belonging to it came and went as they pleased. Stocks were freely plundered.

To what extent production fell will never be known, for the accurate compilation of statistics ceased.

At this period Tomski, President of the Central Council of Trade Unions, wrote: "Production is threatened with final collapse. The worker produces less value than he receives. . . . In such conditions he becomes a state pensioner, a parasite living at other people's expense." And at the first Congress of the Councils of National Economy, Mr. Gastev said: "I laugh when I hear the frightened bourgeoisie accused of sabotage. . . . As a matter of fact we are confronted with sabotage by millions of people, sabotage by the people of the proletariat." Later, an instruction was issued to the effect that Factory Committees should not question those orders of the management which were essential for the conduct of an enterprise. But in most instances this instruction was ignored. In a number of factories, the committees set up by the workers elected a Præsidium and three chief sub-committees. A Control Sub-Committee carried out duties which in normal times were performed by the management. No work could be executed of which it did not approve. It supervised all buying and selling and, being inexperienced, bought inferior articles and sold at a loss. A Food Sub-Committee occupied itself with searching for food for the workers, and its members were usually absent in the country. A third sub-committee, known as the Enlightenment Committee, devoted itself to revolutionary propaganda. In addition, to each department was attached a departmental sub-committee, whose function it was to give instructions concerning the work in hand. The activities of these departmental sub-committees occasioned much friction with the management.

Rykov, the President of the Supreme Economic Council, summing up the situation, explained that expropriation had been resorted to in the beginning because (1) the regulations regarding workers' control had not been observed by the management, (2) employers

and managers had fled, (3) the orders of the Government had been ignored. The first months of the Bolshevik revolution, he continued, had been a period of "barricade fighting," not in streets, but in factories; consequently many enterprises had to be confiscated solely as a punitive measure. Coincident with the industrial crisis there was financial collapse. Numerous enterprises became insolvent, panic spread, and factories closed down. As the workers wished to run these factories at all costs, "a spontaneous movement towards nationalisation sprang up." Various sets of figures had been published regarding the extent of the movement. Amongst the designations used were "almost nationalised" and "temporarily nationalised," the meanings of which no one knew. In reality, concluded Rykov, "nationalisation has been prompted by the need for direct action against the bourgeoisie, and has been carried out independently of all economic considerations."

To describe the seizure of factories by the workers as nationalisation was misleading; for when they took possession they considered that the properties belonged to them, not to the nation.

The Labour Messenger, which was the official organ of the Central Council of Trade Unions, frankly admitted as much. "The workers," said this journal, "became masters of the situation. Factories were in their hands, but they managed them without reference to national economy as a whole, regarding industry as an inexhaustible treasure upon which they could unceasingly draw and, in numerous instances, distributing the output among themselves."

Various authorities described the situation prevalent at this time as syndicalism. Was this description justified or not?

It was true that the workers desired to possess the factories and actually did take possession of them. They failed to realise that Bolshevism was inseparable from state ownership, and supported it only because it urged

them to seize and control industry, thus conveniently interpreting their desires. It never occurred to them that they were expected to act merely as servants or agents of a centralised power; nor, when inciting them to expropriation, did the Bolsheviks make it clear that their ultimate purpose was to substitute for the mastery of capitalism the mastery of the state. Had they done so they would certainly have been swept away. But although the workers wished to possess industry themselves, they were incapable of conducting it according to syndicalist principles. Each was for himself, none for the enterprise to which he belonged. Thus, it was anarchy and not syndicalism that prevailed.

Lenin was aware of the dangerous trend which events were taking. Whenever a deputation of workers requested him to issue a decree empowering the confiscation of the factory in which they were employed, he answered: "The form is ready and I can sign it. But tell me, can you take over the management? Have you calculated what you can produce? Do you know the relationship of your factory to foreign markets?" The answers given, said Lenin, clearly betrayed the ignorance of the applicants. For this ignorance, he added, Bolshevik literature was mostly to blame, inasmuch as it said nothing regarding industrial management. Always his advice to the workers was that they should allot one-third of the seats on the directorate to the capitalists in order that they might learn from them how to conduct the business.

During the period when the workers took possession of the factories the state made an endeavour to assert its authority over production. In December of 1917 a Supreme Economic Council, composed chiefly of the representatives of the different commissariats and trade unions, was founded. At the same time regional councils were set up. To the principal as well as subsidiary bodies experts were accredited. These regulating departments were ill-suited to discharge the task entrusted

to them. They were greatly over-staffed and of their officials a large number were uneducated. At that time an adult living in the town and not employed in a factory had little hope of surviving if he did not gain admission to the Government service. Thus the bureaucracy soon swelled to vast proportions. A mechanism so gigantic, particularly when in the hands of ignorant and inexperienced men, could not be otherwise than inefficient and dilatory. Yet, even had it been competently directed, state intervention at this stage could have accomplished nothing, for the workers had lost their heads and would not consent to be disciplined.

CHAPTER VII

CIVIL WAR—LENIN AND STATE CAPITALISM—DIVISION IN THE COMMUNIST PARTY (1918)

THE revolution was not proceeding according to Lenin's wishes. In his famous pamphlet "State and Revolution," issued on the eve of the Bolshevik accession to power, he advocated the destruction of the existing state and the creation of a new state composed of "the armed proletariat." The old state had been destroyed. The proletariat had armed themselves. But of the advent of an organisation which could be called a state there was as yet no sign. Nor was this the only respect in which Lenin's wishes remained unfulfilled. When speaking of the necessity for subduing the capitalists he urged that they should be retained and set to work in the service of the community. But in many instances "the armed proletariat" drove away not merely capitalists but technicians, thus lightly dispensing with both skill and experience. And when Lenin remonstrated, they refused to listen to him. Yet at that time he was not over anxious as to the fate of Russia. His mind was almost wholly concentrated upon world revolution.

"It is not a question of Russia," he remarked to one of his co-workers, Soloman. "On that, my dear, I spit. It is only a path to world revolution."

When his hearer smiled incredulously, he said: "Don't contradict me; it is to no purpose. . . . We will go to the left more and more—as much as possible."

"Let us allow that you will go to the extreme left—but you forget the law of reaction—it is a purely mechanical

law. You will roll down to the devil knows where," answered Soloman.

"Splendid. Let it be that way. But at present it is necessary to move still more to the left. We will struggle with this law of reaction, conquer it, and shake the world."

Months went by, and despite growing anarchy the Government survived. It survived because it acquiesced in whatever the masses did. Since it could not practise, it was content to proclaim, to create communism not in life but in the imagery of revolutionary delirium, to issue fantastic decrees which it knew would never be carried out but which it hoped would serve to inspire present and future generations.

In the beginning it was unbelievable even to Lenin that Bolshevism should endure, and nearly a year elapsed before he lost the feeling that at any moment all might be over. Yet no sooner did he begin to contemplate the possibility of constructing the state of which he had dreamt so long than the situation suddenly changed. A hitch occurred in the negotiations for peace with Germany, then proceeding at Brest Litovsk. The Germans had already resumed their advance into Russia. Someone asked: "Suppose they march to Moscow?"

Lenin's reply was: "Then we will withdraw to the east. The Kuznetski region is rich in coal. We will form a Ural-Kuznetski Republic based on the industry of the Ural and the coal of the Kuznetski basin, on the proletariat of the Ural, and on the workmen of Petersburg and Moscow whom we can take with us. If need be we can go further east beyond the Ural Mountains. We will go to Kamchatka, but we will stand together." *

Some of those to whom Lenin spoke had no idea where Kuznetski was or of the connection of coal with a revolutionary war and the future of Bolshevism. Consequently they thought that he was joking and smiled at his words.

* "Lenin," by L. Trotsky. George G. Harrap & Co., p. 142.

A treaty of peace was formally concluded with Germany, but no peace resulted. At the instigation of the German Ambassador the Bolsheviks gave an order that the Czecho-Slovakian Army Corps, which had been serving with the Russian forces, should be disarmed and interned. This corps, split up into contingents, scattered between Penza and Vladivostock, was straggling eastwards to the shores of the Pacific, where it hoped to embark for home. When ordered to disarm, the contingents turned on the Bolsheviks and captured a number of places, including Kazan, Simbirsk and Samara on the Volga. Simultaneously the Ural and the Orenburg Cossacks revolted against the Bolsheviks, with the result that an eastern front was formed, beginning in the neighbourhood of Ekaterinburg, covering Kazan, Simbirsk and Syzran on the Volga, thence proceeding along the Ural river to Guriev on the Caspian Sea. Meanwhile the Czecho-Slovakian troops in Siberia, aided by Russians, seized a number of towns. Peasant risings took place in many parts, and revolts occurred in Moscow and Yaroslavl which were only suppressed after ferocious fighting. Over vast territories populations dissolved into warring entities, each struggling to realise its racial self; various individuals and groups set themselves up as rulers, and the hatred which divided Russian political factions developed into venom of fanatical intensity.

Civil war was accompanied by foreign attack. In the east, allied forces, chiefly Japanese and American, landed at Vladivostock and proceeded to various points in Siberia; in the north the British occupied Murmansk and Archangel, and in the Caspian region entered Baku, only to be replaced later by the Turks; in the north-west the Germans advanced to Pskov, whence they threatened Petrograd, and in the south occupied the whole of the Ukraine and part of the Don territory, where at that time civil war was raging. Thus on land revolutionary Russia was surrounded by hostile forces. At the same time she was denied access to the seas,

for those ports which were not in the hands of her enemies were blockaded.

Of all the foreign invasions the German was the most serious. As a consequence of it Soviet Russia was cut off from the Donets region, which had hitherto provided ninety-four per cent. of the coal and seventy-four per cent. of the heavy metals produced in the country, from the oilfields of Baku and the Caucasus, from the cotton-growing area of Turkestan, and from the larger part of the black earth region which formerly yielded a substantial surplus of cereals for the remainder of European Russia. The loss of the south was the more acutely felt because it was accompanied by hostilities in the east, as a consequence of which Soviet Russia was isolated from alternative sources of supply—that is, from the Ural region, which before the war yielded a small quantity of coal and thirteen per cent. of the pig-iron produced in the country, and from the Kuznetski basin, where rich deposits of coal were known to exist. Thus if the worst had come to the worst, it would not have been possible to fulfil Lenin's plan of a retreat to the Urals. The exit to the east was closed.

When a resumption of the German invasion actually took place, Lenin remarked: "Yesterday we still sat firmly in the saddle and to-day we are holding on fast to the mane. But it is also a lesson. And this lesson cannot fail to have an effect upon our cursed negligence. To create order is what we must do if we are not to be enslaved. It will be a very good lesson if . . . if only the Germans along with the whites do not succeed in overthrowing us." *

Briefly the situation was as follows: Whereas the overwhelming majority of the population lived in territories under the power of the Bolsheviks, the resources necessary for the maintenance of life were located in the provinces of the south, which were occupied by enemies of the Bolsheviks. The western frontier was also barred

* "Lenin," by L. Trotsky. George G. Harrap & Co., pp. 165-166.

and all ports were blockaded. In pre-revolutionary days the regions held by the Bolsheviks produced fully half the rye grown in Russia, but, as has been said, they contained a large population and were not self-supporting. Since production had fallen and supplies from the south were no longer forthcoming, the time was approaching when hunger, already felt by many, would be the fate of all. Industry, so essential for the waging of war, could only be kept in motion by the consumption of fuel inherited from the old régime ; as stocks became exhausted paralysis of the Bolshevik powers of resistance was bound to set in.

While the events which have been described were taking shape, Lenin appeared as the advocate of change and compromise. He delivered several speeches, of which the following is a summary : *

"The revolution was completely victorious only because at first the petty bourgeoisie supported the proletariat. Their reason for so doing was none other than that they wished to plunder the wealthy. Now they say, 'Our turn has come.' Thus they aim at creating a new generation of bourgeoisie. History has shown that the soil, once cleared of bourgeoisie, is capable of producing new crops of bourgeoisie. We must bring about conditions in which the bourgeoisie can neither exist nor come into existence. We have arrived at the stage reached by the French Revolution in 1793 and the Paris Commune in 1871, the stage of suppression. But our enemies, though defeated, are not destroyed. We can only destroy them by organisation and discipline, in other words, by building up the socialist state. Our task henceforth is to manage Russia. In order that we may cease being wretched and weak, we must organise. If we do not organise, power will be seized by the petty bourgeoisie, who are particularly strong in Russia. So far we have expropriated the expropriator faster than we can administer the property seized.

* Speeches reported in the *Isvestia*, March 14 and May 30, 1918 ; also one delivered before the Congress of Soviets in April 1918.

"Enough has been blown up. It is necessary to turn to the prosaic work of clearing the ground of fragments. The time has come to slacken, but not to stop the offensive against capitalism. A transition must be accomplished from expropriation and the suppression of expropriation to the much more difficult undertaking of economic reconstruction. The mood of the masses needs to be drastically changed, and turned towards regular, uninterrupted and disciplined labour. But to say this is not to suggest that our past deeds were mistaken. We met with military resistance from the bourgeoisie and had to reply with military resistance. At the same time we gained precious experience. Hitherto the dictatorship has erred on the side of mildness. From now on our rule must be of iron. Workers' control has been introduced, but the true nature of it has been little understood. Without a strict and comprehensive system of accounting, such control is of no avail in existing conditions. Syndicalism of an anarchical character prevails. Thefts and corruption are common.

"Compared with the workers of advanced countries, the Russian is a poor worker. The soviet state is faced with the necessity of teaching him how to work. Labour must be disciplined and intensified, piecework must be introduced. Large machine industry calls for the submission of the workers to a single will. If they are ideally conscious and disciplined, such submission will resemble that of an orchestra to a conductor, but if these virtues are lacking, then there is nothing for it but dictatorship. Compulsory labour should be established immediately, in the first place for the rich, each bourgeois, whether in the town or in the village, being required to have in his possession two booklets, one recording the labour which he has done, the other the commodities which he has consumed. The services of specialists must be secured. Because of their upbringing, they are unavoidably bourgeois, but we need to make use

of them for re-ploughing the soil so that a new crop of bourgeois may not reappear. Had we established control and accounting earlier, we would have thwarted all their attempts to sabotage our system, and created an environment in which they would have been forced to come to our side. As it is, we shall have to attract them by high salaries. Such concession will be a departure from that principle of the Paris Commune which hitherto we have striven to follow, that no remuneration in excess of that paid to the average manual worker shall be given to anyone; but it is the penalty which we have to pay for our own backwardness. The consequence, no doubt, will be corruption and the adhesion of adventurers to the soviets. But these evils are unavoidable.

"The present disorderly condition must be replaced by what may be called either state capitalism or state socialism. Such a system existed in Germany during the war, and proved to be much superior to the economic organisation then prevailing in Russia. On October 20, 1917, whilst Kerenski was yet in power, I said that even under a bourgeois government state capitalism would be an advance towards socialism. In April of the following year, when the proletariat had assumed power, I declared that state capitalism in such conditions would almost amount to socialism. I say now that a system of this kind would be our salvation. It would give us what we lack: control, centralisation, collectivisation. The world revolution is much slower in coming than we had expected. Our task is to preserve some form of socialism, to pursue a policy of attacking and retreating whilst this world revolution is maturing. We have made many mistakes. No great popular movement in history escaped paying a price to the schemer. Our inexperienced administrators have been preyed upon by adventurers and crooks, boasters and shouters. Let the poodles of bourgeois society bark at every splinter that is wasted when the big old forest is being cut down. Let them bark at the proletarian elephant.

"Years must pass before a class hitherto suppressed by want and ignorance can become accustomed to the altered situation, regulating its work and producing its own organisers. The path of reconstruction is a long one, and requires strenuous work and continuous effort, together with knowledge which we do not sufficiently possess. It is hardly to be expected that even the more enlightened generation which is to succeed us will achieve a complete transition to socialism."

The chief point of Lenin's remarks, it will be observed, was that the prevailing anarchy should be ended and state capitalism introduced. As he himself said, it was not the first occasion upon which he had advocated state capitalism. In September of 1917 he urged, at a time when Kerenski was still in power, that state capitalism even under the then existing régime could not be otherwise than a prelude to socialism. He explained that by state capitalism he meant capitalism organised as in Germany during the war—that is, on a very large scale and taking advantage of all modern technical developments; but whereas in Germany, he added, such a system had been controlled by a junker-bourgeois state, in Russia it must be controlled by a proletarian state, thus guaranteeing the "conditions from which socialism emerges."

At this period—that is, in 1918—Lenin said little regarding the form which he thought state capitalism should take. "When," he remarked, "concessions, leases, free trade, a plan of distribution, the growth of capitalism out of individual economics—when all these are submitted to the control of the workers' state, then they constitute state capitalism. This state capitalism is quite different from that of bourgeois states, for it is limited and controlled by the workers' state."

For a more detailed explanation of Lenin's views as regards state capitalism, his later utterances in 1921, on the eve of the introduction of the New Economic Policy, must be consulted. It is true that in certain important

respects the situation had changed; nationalisation and other measures of state control were then in full operation. But there is no reason to suppose that the ideas expressed by Lenin at that time were different from those which he held in 1918. Russia, he said plainly, was a backward mediæval country in which the petty bourgeoisie, consisting chiefly of small peasant producers, predominated. This class would resist control in any form, whether as state capitalism or as state socialism; for it was the class from which came the multitudes of speculators who thwarted soviet economic policy.

Here Lenin insisted that there was no question of a struggle between state capitalism and socialism, and that the issue was solely between the petty bourgeoisie and other categories of small private capitalists on the one hand and both state capitalism and socialism on the other. "The road away from petty capitalism," he went on, "leads through intervening stations called 'National Accounting' and 'Control of Production and Distribution' to both state capitalism and socialism."

Lenin saw state capitalism as the immediate goal. Such a system, he said, would be "incomparably higher economically" than any which had hitherto existed in Russia; and would provide the "sum of conditions requisite for socialism." Then followed this important passage: "Socialism is impossible without large capitalist technique constructed according to the last word in science, without systematic state organisation, subjecting millions of people to the strict observation of a uniform standard of production and distribution. We Marxists have always said so, and it is hardly worth wasting even two seconds in arguing this point with people who do not understand it."

By now Lenin realised that the revolution did not conform to Marxism, which taught that the organisation of capitalism in large units or trusts was pre-requisite to socialism. Since the petty bourgeoisie in the character of the peasantry were predominant, it could not be said

that socialism existed or even that the path had been prepared for it. As capitalism of its own accord had not built up large units, Lenin desired that it should be induced to do so under the control of the proletarian state—in other words, he was anxious that measures should be taken to place the revolution upon a true Marxian basis. When he spoke of state capitalism he had chiefly concessions in mind. “A concessionaire,” he said, “is a capitalist. He conducts business for the sake of profits. He agrees to make a treaty with the proletarian government in order to secure profits or raw materials. The proletarian government, on its part, secures advantage in the form of development of productive forces and increase of commodities available immediately or within a short time. We have hundreds of enterprises, as, for example, mines and forests. We cannot develop them all, because we have not enough machinery, food, and transport. For the same reason we shall develop badly other sections of our industry. As a consequence we get the strengthening of small private ownership, with all its consequences, the deterioration of suburban agriculture and sooner or later of all agriculture, the frittering away of productive forces, decline of confidence in the Soviet Government, and mass petty speculation, which is the worst of all dangers. . . . The moderate and cautious introduction of a policy of concessions will rapidly improve the state of industry and the position of the workers and peasants—of course at a price of a certain sacrifice, the surrender to the capitalist of tens of millions of poods of most valuable products. . . . Capitalism is an evil in comparison with socialism, but a blessing in comparison with mediævalism, with small industry, with hampered small producers thrown to the mercy of the bureaucracy. To the extent that we are as yet unable to realise the direct transition from small production to socialism, to that extent is capitalism inevitable as an elemental outcome of small production and exchange, and to that extent must we make use of

capitalism (particularly by directing it along the path of state capitalism) as an indirect link between small production and socialism as a means of raising the productive forces of the country. . . . There is really nothing dangerous in this policy, so long as the proletariat retains the administrative power, the means of transport, and large-scale industry."

Following upon Lenin's advocacy of state capitalism negotiations were opened with various groups, foreign as well as Russian, for the formation of companies to which the name "mixed companies" was given. It was intended that the shareholders should be both state and private, but that the state should hold the controlling interest. Because the demands of the Bolsheviks were considered to be exorbitant the negotiations proved fruitless.

Lenin's insistence upon state capitalism and the negotiations with financiers led to a widening of the division which had occurred in the party over the signing of the Brest-Litovsk Treaty. Included in the opposition were many known communists, as, for example, Buharin, Ossinski, Radek, Uritski, Pokrovski, Piatakov, and Kollontai. In brief, their programme was as follows: drastic expropriation of private enterprise and immediate resort to communism, vigorous revolutionary propaganda throughout the world and rejection of all compromise with foreign capitalists.

In their utterances the opposition held that state capitalism would not lead, as Lenin had said, to the extinction but to the revival of private capitalism. They also argued that the control of capital by the state would be irreconcilable with the existence of a dictatorship of the proletariat. They were apprehensive lest workers' control should be abolished. In reply, Lenin characterised their case as a manifestation of infantile disorder, and repeated that in a primitive country like Russia state capitalism would be "a great advance." "We must follow the example of Peter the Great," he

exclaimed. "We must not spare any dictatorial methods in hastening the westernisation of barbarous Russia nor stick at barbarous measures to combat barbarism." Yet whilst advocating dictatorial methods, he urged flexibility of tactics. "Left doctrinairism," he wrote, "unconditionally repudiates certain old forms, failing to see that the new content is breaking through these forms, that it is our duty to master them all, to learn how to substitute with a maximum rapidity one form by another, and to adapt our tactics to all such changes." Lenin scorned "the straight line" and said that there must be "manœuvring, co-operation, compromise."

CHAPTER VIII

GENERAL NATIONALISATION—BEGINNING OF WAR COMMUNISM—MONEYLESS ACCOUNTING (1918)

THE first Conference of Trade Unions which met in January, 1918, recommended that all important industries should be formed into trusts preparatory to their nationalisation. Following upon this Conference the Central Councils of Factory Committees were abolished and these committees became units of the unions. Thus ended direct workers' control in industry.

In the Spring serious measures were taken to diminish the chaos of production. For their initiation civil war and foreign invasion were not alone responsible. The Bolsheviks now understood that other dangers were to be feared. They realised that the anarchy which hitherto they had not dared to suppress might one day engulf them, and that their own survival was impossible unless they curbed the control of the workers in the factories. With this end in view, they set up central bodies or boards, to whom was entrusted the conduct of industries. Upon these authorities powers of a varied and in all instances far-reaching character were conferred. Some were allowed to issue decrees of their own accord; and thus to extend their powers at will. Others arrogated to themselves powers which they exercised freely without being challenged. Generally speaking, the councils were charged with the complete control of industry, the fixing of prices and wages, the supply of raw materials, the disposal of manufactured products, the closing down of enterprises considered superfluous, the starting of new undertakings—

in short, the discharge of all duties of ownership. The immediate aim was trustification; thus the concentration and centralisation of industry, which Marx said must be an unavoidable prelude to socialism, were to be forced. It was an instruction to the councils that they should prepare projects for nationalisation, or actually proceed to nationalisation if they so desired. Their composition differed, but in most instances membership was divided between state departments, owners, and workers. It will be observed that owners were retained on the management. It was in accordance with Lenin's wish that this was done. He had always urged that the capitalists should be compelled to place their knowledge at the service of the socialist state, and that to ensure the conscientious performance of their duties the armed proletariat should be put to stand over them.

For the control of industry alone a bureaucracy of gigantic proportions came into existence. At its head was the Supreme Economic Council, consisting of various commissions and sub-commissions, sections and sub-sections, all of which were replicated locally. Subjected to this authority were the central committees in direct control of different industries; these, too, appointed subsidiary bodies, as, for example, *præsidia*, sub-committees, and, for the direct management of industry administrative councils known as *Glavki*, upon whom autonomous powers were sometimes conferred. The more important bodies had regional counterparts which often formed branches in smaller areas. In theory this gigantic and complicated system was submitted to the co-ordination of the Supreme Economic Council, but this council was itself an aggregation of conflicting and powerless entities. Not infrequently subordinate units acted independently of it, and even ignored the authorities immediately above them. In each town all the chief buildings and innumerable small ones were seized by officials; hundreds of thousands of posts and millions of forms were hurriedly improvised.

Crushed by its own bulk, the bureaucracy wasted most of its time in tedious routine and repetition.

Hitherto nationalisation had only been partially applied. Banks were nationalised on December 13, 1917. Seven days later the manufacture and importation of agricultural machinery were declared to be a state monopoly. On the 7th of the following month the manufacture and importation of matches and candles, and the importation of coffee, pepper, and spices were declared state monopolies. On April 23rd all foreign trade was nationalised. On May 3 all sugar refineries were taken over by the state. Finally on June 28 a document was issued which became known as the decree of general nationalisation. It declared that all railways, mines and oilfields, all metallurgical, electrical, engineering and pottery works, all leather, rubber and cellulose factories should be nationalised. Before the end of the year 1,125 factories had been nationalised.¹ Most of the larger factories had already been seized by the workers and had passed to their control. Nationalisation meant that the state restricted this control, or endeavoured to do so, and assumed rights of property on its own account.

The motives that prompted general nationalisation have been the subject of much discussion by various writers. It has been said that the decree on the subject was made ready within forty-eight hours, the cause of this precipitancy being desire to outwit Germany, whose Ambassador was about to demand that all German-owned enterprises should be exempted from nationalisation. It has also been said that general nationalisation was a rejection of Lenin's policy. Whatever may be the truth as regards the first, there is no ground for the second contention. Whilst Lenin, as has been shown, was willing to grant concessions to capitalists, he maintained that the state should retain possession of large-scale factories and the means of transport. The negotiation

¹ Statement made by Rykov to the Supreme Economic Council in 1920.

for concessions broke down, but general nationalisation, in so far as it related to large-scale industry, was a fulfilment, not a repudiation, of his ideas. That his estimate of the extent to which socialism was immediately realisable had undergone drastic change there could be no doubt. In the beginning of the revolution he urged that the whole of production and distribution should be socialised. He then believed that the workers were capable of efficiently controlling the new system, and was confident that a disciplined and prosperous society would be the result. Now he desired that nationalisation should be restricted to large industries, and was willing that small industries should remain in the possession of private individuals, and that concessions should be given to capitalists. He also wished that workers' control should be subjected to the restraint of the workers' state, thus revealing an intention to exercise dictatorship in the name of the proletariat rather than acquiesce in the dictatorship of the proletariat.

In general nationalisation the Bolsheviks sought to find an outlet from the crisis of the moment, and a means of fulfilling Marxist principles with a view to the ultimate realisation of socialism. The crisis of the moment was occasioned by the anarchy of workers' control, the upheaval of civil war, and the imminence of a demand from Germany that enterprises owned by her subjects should not be expropriated. Nationalisation, it was believed, would lead to the disciplining of the workers and the reorganisation of industry which was necessary for the waging of the civil war. But it was also undertaken as part of a much greater purpose, the nature of which was briefly as follows: the whole of production and distribution was to be planned and controlled by the state acting through the medium of a highly centralised bureaucracy. Each citizen was to become the servant of the state, doing whatever it bade him to do for whatever reward it chose to give him. Wages were to be abolished, and in place of them were to be sub-

stituted labour books or records entitling the holder to rations in kind. Likewise money was to be abolished and labour substituted for it as the unit of value, thus permitting of moneyless accounting. Lenin wrote: "The book-keeping and control necessary for socialism have been simplified by capitalism to the utmost, till they have become the extraordinarily simple operation of watching, recording, and issuing receipts. Such operations can be performed by everyone who reads and writes and who knows the first four arithmetical rules."

Enchanted with a plan which appeared so reasonable, which could be stated so simply, and which promised so much, the Bolsheviks never for a moment doubted but that fulfilment was possible. Yet, save for an influential group of extremists, they did not imagine that such fulfilment could be accomplished in the near future. In spite of this circumstance, however, all the new measures which they introduced were drastically socialist. No greater proof of the fanaticism of even those Bolsheviks calling themselves realists could be adduced than that in the midst of chaos arising from civil war, foreign intervention, and revolutionary violence, they should have striven to bring about socialism.

Following upon nationalisation an attempt was made to organise production according to a single plan. The method by which it was sought to fulfil this plan was centralisation. The Supreme Economic Council was to be the culminating and controlling authority. Upon it was placed the responsibility for seeing that factories were provided with everything that they required—equipment, raw materials, fuel and even food for the workers; it was also constituted the central repository of all commodities produced, such commodities to be divided up among the working population on a basis as nearly equalitarian as circumstances would permit.

In order that the Supreme Economic Council should be in a position to discharge these immense functions, in order, as it were, that it should become the very

core of centralisation, the whole bureaucracy was re-organised. The semi-autonomous boards, known as Centres, which hitherto had been responsible for the control of separate industries, were absorbed in the Supreme Economic Council; the administrative councils, known as Glavki, which, under the supervision of the Centres, had undertaken the direct management of industries, remained in being, but were subjected to the control of the Supreme Economic Council; and the co-operative movement, hitherto independent, was subordinated to the state and made the chief medium of distribution and supply. These re-arrangements had results the opposite of those looked for. Instead of simplifying, they complicated the workings of the bureaucracy. Instead of facilitating the reconstruction of industry, they accelerated the pace of its destruction.

Trained or even educated administrators were few. Officials of the former régime were distrusted. Either they were deprived of work altogether or given small posts. Frequently experts were dismissed for no other reason than that they lacked sympathy for the proletarian régime. Old revolutionaries, who had hitherto done little but agitate, and simple workers who had hitherto done nothing but physical work, were placed in charge of factories. "We have built up a Bohemia," exclaimed Mr. Gastev, a trade unionist, at one of the numerous congresses held about this time; "a tailor is appointed to manage a big metallurgical concern, a painter runs a textile mill."

Under the new system the Supreme Economic Council was composed of sixty central and seventy provincial branches. Created to be the central authority of a vast organisation covering the whole country, it lacked within itself a central authority capable of controlling the activities of its own branches, all of which acted independently of the head department as well as of one another. Not without cause, subordinate bodies often ignored the central authority. So chaotic was the

situation that it was impossible to wait for decisions which might not be forthcoming for months. As it was, sufficient harm was done by delay in obtaining sanctions. Whilst millions starved, large stocks of food rotted for no other reason than that local authorities were unwilling to release them without an order from above.

The procedure prescribed was as follows: the production of each industry and of each factory must be pre-determined. Each factory must deliver its produce to the management board of the industry to which it belongs, and from time to time this management board must acquaint the Supreme Economic Council with the stocks in hand. Each factory must also submit to the management board applications for whatever supplies it required, and after these applications have been examined and if necessary amended, they must be placed before the Supreme Economic Council, which, being forewarned of the stocks in hand, is in a position to regulate distribution.

These plans broke down because the Supreme Economic Council was never aware of the reserves in hand, and had no means of ascertaining to what extent applications for materials were justified, or of determining which application deserved priority.

A market in the true sense of the word had disappeared. Owing to the suffocation of commerce and the collapse of the currency, the customary channels through which the community expressed and satisfied its wants no longer existed. The Government therefore determined that certain industries, manufacturing indispensable commodities, should be placed in a special category under the heading "shock industries," and given preference over all others in the matter of money and supplies. Its chief object in doing so was to secure adequate supplies of war materials. But in a period when everything was in confusion, when even the simplest articles were lacking, it was difficult to discriminate between the

essential and the non-essential. Because of this circumstance and the practice of favouritism, numerous enterprises engaged in manufacturing trivial commodities were designed "shock," whilst others manufacturing really indispensable commodities were excluded from the privileged category.

Frequently factories were forced to close down for long periods because of lack of a single material, abundant supplies of which had been allotted to others having no use for them whatsoever. Frequently dislocation was caused because the various parts of which a common article was composed had to be obtained from different enterprises, the result being that while some of these parts were forthcoming in sufficiency, others were wholly unprocurable. In these circumstances it was not surprising that during 1918 no entirely new commodities were made, but only partially manufactured commodities left over from the old régime completed, that the volume of production fell to between one-third and one-half of the pre-war amounts, and that in the chief branches of industry the drop was even more considerable. Although that part of the country which produced the major portion of raw materials and which contained large stocks of these raw materials was in the occupation of hostile armies, the Bolsheviks inherited, on territory firmly in their possession, reserves of raw materials sufficient for a production very much larger than that actually obtained.

Inadequacy of transport was a serious handicap. Between October 1917 and the end of 1918 the number of running locomotives at their disposal decreased from 14,500 to less than 5,000. On the last-mentioned date two-thirds of the railway mileage was in the hands of the White armies.

One of the chief causes of industrial collapse was disregard of economic calculation. This disregard was as much the consequence of policy as of unavoidable circumstance. In accordance with Lenin's teachings the

Bolsheviks proceeded to introduce moneyless accounting. As the control of the state over production and distribution expanded, so the possibilities of this moneyless accounting were to increase, until one day money would be entirely done away with.

At the VIII Congress of the Communist Party in March 1918 a resolution was passed declaring that the nationalisation of banks enabled the sphere of moneyless settlements to be extended, thus preparing the way for the total abolition of money. This resolution was acclaimed by a number of soviet economists. Larin, for example, wrote: "Money as circulating media can already be got rid of to a considerable degree. . . . It will lose its significance as treasure, and will only remain what it actually is—coloured paper."

In May of 1918 a decree was issued to the effect that state enterprises should hand over to the People's Bank, then the only bank in existence, all monies which came into their possession, retaining only small sums where-with to meet current expenses, and that in future all payments should be met with cheques and drafts. Three months later the Supreme Economic Council instructed the management boards of industries that all settlements for commodities delivered to and received from factories should consist of book entries, and that on no account should money be used in such transactions. Money, it was further directed, should only be employed in purchasing from private persons those goods which were unprocurable from nationalised enterprises. Thus in all the major transactions to which the state was a party the clerk was to supersede the banker, and money, the power which had ruled over men for ages, was to be vanquished by the stroke of the pen, its place being taken by mutually-cancelling entries based upon the actual exchange of physical commodities.

With moneyless accounting, as with all Bolshevik innovations, the simplicity of theory vanished in the unavoidable complications of practice. Book entries

had to consist of statements of values given or received, but a stable unit in which accounting could be made was lacking, apart from which no mechanism existed for determining prices according to established economic principles. Under the pre-revolutionary capitalist system prices reflected supply and demand on the market. At times individuals or groups of individuals restricted or expanded supply or stimulated demand by artificial means, in all instances influencing prices. The imperfections of the system were apparent, but the fact remained that it was the only one so far devised whereby supply and demand could find expression in a form convenient for the satisfaction of human needs—the form of price.

Under Bolshevism, as has been said, the large unrestricted market disappeared. The state controlled the production and distribution of the bulk of manufactured commodities. Socialised enterprises exchanged supplies with one another. Prices of finished articles were arbitrarily fixed, and for that reason were unreal. Millions of people defied the law and engaged in private trade, much of which consisted of barter. No longer was commerce concentrated in centralised markets. Transactions took place wherever human beings lived and met. In these circumstances demand and supply were chaotically expressed, prices being resolved by the caprice of confusion.

When individuals exchanged goods for goods, values were determined in the process of bargaining. There was no occasion to keep records of these transactions, but if records were desired they could be made without much trouble. It could, for example, be set down that so many sacks of potatoes had been exchanged for a piano. Not so easily could the state conclude and record transactions, for it dealt largely in commodities in bulk, the values of which depended upon supply and demand of a mass character. It could not look to markets for guidance, for none existed. It could not of its own accord fix prices in accordance with economic

principles, for neither the data nor the facilities for doing so were available. Nor, in the absence of a basis of calculation, could it express in moneyless terms the relative values of different commodities, saying how much of one should be given in exchange for another.

Yet books had to be kept somehow. The Bolsheviks preferred to set down purely speculative figures rather than have no figures at all. This guesswork, unavoidable in the absence of a price-determining mechanism, was rendered all the more haphazard by reason of the non-existence of a stable unit of account. The ruble, which should have provided the stable unit, was fast depreciating as a consequence of fabulous inflation practised for conflicting ends. In addition to moneyless accounting, this device of printing limitless quantities of money was employed for the destruction of money. It was anticipated that as the volume of these notes swelled, their value would shrink to extinction. Thus money was to be suffocated by its own superfluity, and thenceforth the state was to supply each of its citizens with everything that he needed. Yet, whilst striving to annihilate money by multiplying it, the Bolsheviks also relied upon the same expedient for revenue. It is true that the amount produced by this means was rapidly diminishing and that the day was bound to come when nothing would be obtainable; but the Bolsheviks anticipated that by then socialism would be realised and money would no longer be necessary.

When the Bolsheviks seized power the notes in circulation totalled 22,500 million rubles. At the end of 1918, when they had been in power about eighteen months, this total had increased to 60,700 million rubles. Calculated according to the Index Number of Commodity Prices, the real value of the currency in circulation on the eve of the October revolution was 2,200 million rubles. By July 1, 1918, this value had dropped to 500 million rubles. More rapid still was the decline in the revenue accruing to the Treasury from

the issue of notes. On the eve of the October revolution this revenue, calculated according to the Index Number of Labour Statistics, amounted to 163 million rubles; in the second half of 1918 only to 25 million rubles.

Had a market actually existed for determining prices, the reckless inflation practised by the Bolsheviks would have rendered accountancy impossible; but with the unit of account swiftly depreciating, economic calculation was out of the question. Unavoidably costs of production exceeded selling prices, for such costs were usually met after the finished articles had been disposed of, the ruble having meanwhile gone down further.

Thus the attempts of the Bolsheviks to establish moneyless accounting ended with no accounting at all; and conditions prevailed which not merely prohibited profits, but which dictated that losses should be calamitously heavy. In seeking to make all men wealthy, the soviet state had made it impossible for any man to be otherwise than poor.

The finances of the state were thrown into confusion. The official publication of the Commissariat of Finance contained this remarkable passage: "When the main part of our socialist programme is carried out money will become superfluous as an instrument of exchange and distribution; and will be abolished. In anticipation of this moment the Commissariat of Finance adopts the policy of satisfying the needs of the various departments to the fullest extent. . . . With the passing of power to the proletariat, economy as regards the state purse is quite unnecessary. . . . Since the Government has unlimited possibilities of issuing paper money, it need not adhere to those principles which were observed in the preparation of budgets in former times. Strict calculation, economy in spending, and conformity of expenditure to revenue are not essential." In view of these directions, estimates were regarded as of little importance; invariably they were approved not when they were made, but at the end of the period to which

they related. Disclosed sources of revenue consisted of taxation and the entire gross receipts of nationalised enterprise. Although socialism required their abolition, taxes were retained for confiscatory purposes. It was hoped that by their means large sums would be diverted from private to socialised activity. An extraordinary levy, calculated to yield over a period of years ten milliard rubles, was made upon the town bourgeoisie and the village kulaks. The authorities stopped at nothing to collect the tax. Armed parties made searches at all hours of the day and night; savings and possessions, both movable and immovable, were expropriated; and frequently the smallest keepsake was taken. Numerous persons were arrested, not a few being shot. Yet, despite the severity of these measures, not more than sixteen per cent. of the assessed amount was obtained. Much wealth had been dissipated during the revolution; much wealth had also been concealed; but when allowance had been made for these circumstances, the bourgeoisie as a class proved to be not nearly so rich as the Bolsheviks had supposed.

Hardly a quarter of the receipts budgeted for reached the Treasury. Considerable sums were collected by different departments and local authorities and retained for their own purposes. No returns were ever made as to the extent to which expenditure exceeded revenue.

The estimates of the Supreme Economic Council for nationalised industry during 1918 were as follows: expenditure 7,219 million rubles; revenue 1,328 million rubles; deficit 5,891 million rubles.

The estimates of the same authority relating to nationalised transport during 1918 were as follows: expenditure 7,569 million rubles; revenue 1,068 million rubles; deficit 6,501 million rubles.

The state budget deficit was enormous; according to the estimates, it amounted in 1918 to sixty-seven per cent. of the expenditure. But deficits occasioned the Government little concern. They could be met by the

simple expedient of printing money. The revenue from this source, however, was insufficient for the needs of the state and was quickly shrinking. A large amount of wealth had therefore to be found apart from the receipts yielded by the budget. For this purpose the state made use of the following assets: reserves of commodities inherited from the former régime, including gold to the value of about 1,000 million rubles; property expropriated; corn requisitioned; and labour compulsorily employed. According to Professor Prokopovich: "The majority of the foregoing 'receipts' was collected and expended without any account being kept. The fact was that in 1918-20 the soviet Government lived not on the receipts included in the budget estimates in accordance with the soviet constitution, but upon quite different sources of material wealth which were not mentioned in the budget estimates." This statement was confirmed by Professor Yurovski, who said: "... the state expenditure of that period was not met solely out of income, the economic life of the country being maintained in no small degree at the expense of the earlier accumulated capital of transport and industry."

Ravenously devouring the assets left to them by the old régime, the Bolsheviks promised that they would replace these assets by nobler forms of wealth; but destruction went on and nothing was created. They promised, too, that for capitalist anarchy they would substitute planned and orderly economy; although they planned without end, confusion resulted, and this confusion hourly grew worse. Deliberately bankrupting the old order in the hope of securing means wherewith to build a new order, they lacked the capacity essential for their task, and as fast as they realised wealth they were forced to consume it in order to maintain their own precarious existence.

CHAPTER IX

COMPULSORY LABOUR — DISCIPLINARY MEASURES IN FACTORIES—WAGES AND PRICES—LIFE IN TOWN AND VILLAGE (1918)

THE Bolshevik plan for dispensing with money and establishing socialism required that the whole able-bodied population should be set to compulsory labour, and that money wages should be replaced by rations.

In January of 1918 the employment exchanges, which had been created during the war, were replaced by Labour Distribution Departments under the control of the trade unions. Six months later the V Congress of Soviets ratified the Constitution, section II of which contained the following article: "In order to exterminate all parasitical elements of society and to organise the economic life of the country, work useful to the community is obligatory to all." The authors of this article intended that all private contracts and engagements should cease, and that henceforth human labour should become "the property of the state." "He who does not work neither shall he eat," was the principle upon which they acted. Yet they recognised that "no two persons have the same capacity for work," and that consequently inequality of remuneration was unavoidable; but such inequality, they considered, was a survival from the bourgeois régime and would continue only until such time as socialism was transformed into communism, when the rule of society would be: "from each according to his ability, to each according to his needs."

Compulsory labour was not made general at once;

but in October of 1918 it was decreed that "non-working elements" should undertake forced labour, such elements being described as those persons who were not dependent upon the work which they performed or who had no fixed occupation, and unemployed persons not registered at the Labour Distribution Departments.

In accordance with this decree, large numbers belonging to the bourgeois class were required to attend the police station at an early hour each morning. After a roll-call they were marched off in gangs under armed escorts to perform such tasks as gathering wood, shovelling snow, digging graves, cleaning lavatories and barracks. Frequently parties of these conscripts were taken to the country, where they were accommodated in dilapidated buildings for periods lasting several days.

While they refrained from imposing compulsory labour upon the proletariat, the Bolsheviks introduced disciplinary measures in the factories. Thousands of workers were idle; thousands had been mobilised for the Red Army; thousands had migrated to the country in search of a subsistence from the soil. In Petrograd, for instance, it was estimated that the number employed was only forty per cent. of the number employed in 1917, and this figure was a true index of conditions elsewhere. "The working-class," wrote Zinoviev, "has become dissolved. Its nucleus is destroyed. One part has settled in the villages, another part is forced to seek employment under very hard conditions, involving change of occupation every month." And Lenin wrote: "Those at work are not proletarians, but chance people."

Armed guards were placed in factories. Strikes were mercilessly repressed, leaders being arrested and shot. Enterprises, the output of which had fallen to extreme depths, were closed. Consequently many were deprived even of the pitifully low livelihood enjoyed by those in employment. This was the period when by terror and other means the Bolsheviks strove to establish their

domination over the proletariat. One method to which they resorted for this purpose was the manipulation of elections to factory committees, so as to ensure that only communist nominees should be chosen. These attempts to subdue and organise the masses gave poor results. Stubbornly the proletariat clung to the idea that the revolution was made for freedom, and that freedom consisted in working how and when they willed. Incentive was wholly lacking. The skilled received but fifteen per cent. more than the unskilled, and wages were irregularly and often only partially paid. Since neither effort nor competence was rewarded, none excelled, and production continued to fall at an ever-increasing rate.

The Bolsheviks held that money wages were necessary only so long as traces of capitalism remained. Until such traces were eliminated it was their intention that the state, no matter what the level of wages might be, should assume full responsibility for all the cares hitherto resting upon the head of the family. In a well-ordered society, they contended, an inefficient not less than an efficient worker was entitled to the comforts as well as to the necessities of life. As soon as this idealistic theory was put into practice the lot of the proletariat grew not better, but worse; for the state could neither remunerate the wage-earner adequately nor take upon itself the cares of his family. Yet by 1918 twelve million people depended upon the Government, doing perfunctorily whatever it required of them in return for a portion so miserable as would hardly permit them to exist. More wretched still was the fate of the rest, for while they received nothing from the state, they were forced to give to it nearly everything that they possessed.

Wages were paid in money to the extent of twenty per cent.; in commodities to the extent of eighty per cent. Thus to a considerable degree money wages were abolished, but only by the drastic lowering of real wages.

Of all classes the workers were the most favoured; for the purpose of rationing, the population was divided into groups: (1) manual workers, (2) members of manual workers' families and soviet officials and their families, (3) bourgeoisie. When, as frequently happened, supplies fell extremely low, the bourgeoisie were wholly deprived of rations. Rations varied in quantity each day, but on no one day was there enough for subsistence.

In a sense proletarian equality was established, for whilst the major portion of wages consisted of rations which were the same for all kinds of manual workers, the smaller monetary portion, which varied according to the occupation and grade of the recipient, purchased but little. Thus, to make existence possible income had to be supplemented somehow. Denied employment, the bourgeoisie, more than any other class, was forced to use its wits in order to survive. Procuring food was a hazardous undertaking. Private trade was prohibited; anyone who engaged in it ran the risk of being arrested and shot. Yet not to trade was to face the certainty of death from starvation. All private shops were closed and shuttered. Only holders of ration cards could obtain food at the few municipal shops which had been established. Quickly, however, the community improvised channels for satisfying its needs. Markets opened under the eyes of the police; thousands of bag-men offered food for sale in the streets; thousands of citizens of both sexes and of all ages went daily to the country, taking with them portable articles to exchange for food. From time to time the militia raided the markets, arresting a number of sellers and buyers and scattering the remainder in all directions. From time to time also they arrested bag-men in the streets and searched passengers leaving trains, seizing their provisions, and imprisoning many of them.

In Petrograd the equivalent of £7 10s. was required for one pound of butter, of £8 for one pound of sugar,

of £3 for one pound of meat, of £2 for one pound of horseflesh, of 14s. for one pound of dogmeat.

As money was almost worthless, only things had value, for they could be exchanged for food, and food was all that mattered. A panic rush to the land set in. Towns emptied; the population of Petrograd, which was 2,600,000 in 1916, fell to 600,000. The Russian worker had always preserved links with the country, and when faced with hunger the first thought which occurred to many of his class was to take refuge in the village. Apart from this exodus, the population of the towns was in constant movement; thousands proceeded to and from the countryside, whither they bartered their belongings for food. These thousands travelled anyhow: crowding on the roofs and steps of railway carriages, standing on buffers, clutching at ledges. Many were pushed or fell on to the track, and of these a large proportion were either killed or injured. Many perished from the cold. The trains moved so slowly and were subjected to so many delays that frequently those returning had exhausted their provisions before reaching their destinations.

Inasmuch as he was the producer of food, which of all commodities, even money itself, had the greatest value, the mujik was supreme. Whereas in the past it was the peasant who humbled himself before the townsman, it was now the townsman who humbled himself before the peasant. At the end of his railway journey, the townsman, bearing burdens which he was unaccustomed to bear, had to trudge miles, often through deep snow, from village to village and house to house. Sometimes the peasant did not trouble to open the door, merely nodding refusal from behind the window. In bargaining he was pitiless.

What with the loot plundered from the landlords' mansions and the unfamiliar goods brought by starving townsmen, "newly richness" was conspicuous throughout the countryside. Strange sights were observable:

old mujiks wearing top hats, women working in the fields in smart astrachan and fur coats, young girls in silk dresses or wearing skirts made from table-cloths or furniture-covers and adorned with bracelet watches, jewels and rings, lads swanking about in green trousers cut from billiard-table cloth. In many huts were to be seen pianos, gramophones, pictures and mirrors. After a while the pianos were used as nesting-boxes for chickens.

In the towns the majority of people became shabbier, hungrier, and more miserable each day. Shortage of food was accompanied by shortage of fuel. A quantity of wood that formerly cost the equivalent of fourteen shillings now sold for the equivalent of £45. Heating arrangements broke down. As many people as possible huddled together in single rooms. Sanitary conditions became abominable. Almost every building was a stench-house; corpses of human beings and of animals lay in the streets; epidemics spread; drugs were unprocurable, and so great was the demand for doctors that most of the sick had no attention whatsoever; deaths occurred at a faster rate than burials could take place, and numerous homes were converted into morgues.

Influential communists took for themselves and their families the chief hotels in Moscow and Petrograd, where they enjoyed rations superior to those allotted to the rest of the population. Before long these buildings resembled filthy common lodging-houses.

CHAPTER X

THE FOOD PROBLEM—SOCIALISATION OF AGRICULTURAL PRODUCE—CLASS WAR IN THE VILLAGE (1918)

WHEREAS in October of 1917 the Provisional Government collected eight million poods of grain, in June of 1918 the Bolsheviki collected only 90,000 poods. These figures illustrate the extent to which the collection of grain had diminished. Large amounts of grain, which would otherwise have been available, were contained in territories occupied by forces hostile to the Bolsheviki. But even when allowance has been made for such circumstance, the extreme shortage of supplies in the towns was not explained. The chief cause of this shortage was the breakdown of exchange between town and country; and this breakdown was the consequence of the incapacity of nationalised industry to supply the peasants with manufactured goods in return for grain. The peasants refused to accept depreciated currency, and concealed large quantities of produce. After ransacking warehouses the Government managed ultimately to accumulate a fund composed largely of goods left over from the old régime. Decrees were then issued prohibiting the sale of grain without licence from the Commissariat of Food and the sale of goods under any conditions whatsoever to individual peasants. Further, it was ordered that goods from the state fund should only be exchanged for produce in proportion to the amount delivered by the peasants residing within a particular administrative area. It was stipulated that well-off peasants should be required to surrender most of the produce, and that poor peasants should receive

most of the goods. Inasmuch as this arrangement was based upon confiscation, not upon exchange, it worked badly. Then other complications arose. The towns, which, not less than the countryside, needed manufactured goods, raided the fund and appropriated what they required for themselves, and of the residue a large quantity fell into the hands of speculators. In the end few goods reached the village.

As hunger spread, many local authorities took the law into their own hands and seized grain; and the bartering of goods for produce, described in the preceding chapter, became general. In face of the resolve of millions to survive, the Government was powerless to enforce the prohibition of private trade. Unable to fulfil its promise to feed the workers, it was forced to allow them to take measures to feed themselves. Each worker was permitted to appropriate some of the goods made in the factory where he was employed, and to proceed to the country for the purpose of exchanging these and any other goods which he might have in his possession for a quantity of produce of a weight of not more than one and a half poods. But this privilege merely led to further chaos. Stocks were freely plundered, and the number of workers absenting themselves from employment while in search of food reached very large proportions. Much discontent prevailed amongst those workers who, being engaged in factories manufacturing heavy articles as, for example, locomotives, were unable to take advantage of the concession.

So far the peasants had thwarted Bolshevism. It had given them the land, which was all that they wanted from it; but as it had nothing to offer in return, it could not induce them to part with their produce. The fact that millions were driven to find food as best they could was proof of the failure of the system. This practice was not merely the cause of much suffering and confusion, but was rapidly undermining soviet power. The Bolsheviks struggled with it by occasionally closing markets and

frequently making arrests, but the multitude of food-seekers was so great, the scarcity of bread so acute, that these repressive measures had little effect.

Agriculture could not be socialised as industry had been socialised. Industry was more or less concentrated; those engaged in it numbered only a few millions, not more than the population of a single large city in Western Europe. Agriculture, on the other hand, was an occupation in which many millions of households participated, and these households were scattered over wide spaces, large numbers being located remote from communications. Any attempt to socialise them, especially in the midst of civil war, would have met with insurmountable difficulties.

Here it must be emphasised again that this problem of supply would not have arisen had state industry been able to provide the peasantry with manufactured goods. As individual producers they were quite willing to part with grain if only they could receive goods in return. But state industry could not provide these goods; hence the economic tie between town and country was sundered.

Since the socialisation of agriculture was impossible, the Bolsheviks determined to socialise the produce of agriculture. On May 13, 1918, a food dictatorship was established. Thenceforth this dictatorship was to estimate the extent of the crops and to determine the amount of grain necessary for sowing and for the maintenance of man and beast until the succeeding harvest. The surplus left over was to be forfeit to the state, a purely nominal price being paid for all grain taken other than that in the possession of kulaks, which was to be confiscated outright. The Central Food Administration was to decide how much each province should deliver, the province how much each uyezd should deliver, the uyezd how much each volost should deliver, and the volost how much each village should deliver. It was laid down that those who resisted or evaded requisitioning should be declared enemies of the revolution, and

imprisoned for ten years, suffering loss both of property and civil rights.

Stringent measures were taken for carrying out these orders. Village soviets were dissolved; and on June 11, 1918, a decree was issued directing that all poor peasants should be organised in special committees for the purpose of participating in the requisitioning of grain. Towards the end of the month the trade unions established a branch known as the Military Food Commission which created an army of between 30,000 and 40,000 workers, each detachment consisting of seventy-five men and three machine-guns. This force was to be despatched to the corn-producing regions, where, in conjunction with the poor peasants, it was to seize grain wherever it could be found, handing part over to its beggarly allies, and conveying the remainder to the towns.

Thus war was declared against a large section of the peasantry. Lenin had long contemplated this measure. In the days preceding the revolution, when asked what course he would counsel in the event of the peasantry seizing power in advance of the proletariat, he answered: "The provocation of class war in the village; the setting of poor against rich." And in 1918, when the poor were organised in special committees and given unlimited powers over their fellow peasants, and when grain was to be requisitioned by armed detachments, Lenin said that the revolution in the village was only just beginning. In 1917, with the approval of the Bolsheviks, the peasants as a body seized the property of the landlords and divided it up amongst themselves; now, also with the approval of the Bolsheviks, the poor were to plunder the wealthier peasants, dividing the spoils amongst themselves. Confusion characterised the ideas upon which it was hoped to accomplish this new revolution in the village. The poor, in whom the Bolsheviks reposed all their hopes, had been greatly reduced as a consequence of the expropriation of landlords' estates in 1917.

Whereas at that time they constituted sixty per cent., they now made up only thirty-four per cent. of the peasantry. This decline reflected the circumstances that large numbers had passed up into the middle category, which, as a result of these accessions, had increased its proportion in the whole peasantry from thirty-five to sixty-two per cent. Naturally, such a category was hostile to the new agrarian policy, a fact to which the communists themselves bore witness. In a brochure entitled "Concerning Agricultural Communes," Meshcheriakov wrote: "The middle class of peasants has everything which it needs. Why, then, should it change its habits and strive for a new life? . . . It looks towards its immediate neighbour on the social ladder, the kulaks or village bourgeoisie; and views with distrust our efforts to organise the poor peasants, the so-called loafers. . . . There was unity among the peasants only in the beginning for the purpose of expropriating the landowners' estates. Now this unity no longer exists." And Ossinski said: "The peasantry are indifferent to socialism. Many of the poor, who at the outset formed the mainstay of the revolution, approached the levels of higher categories, and the villages became typically bourgeois in character."

Class war in the village meant that the poor peasants attacked not merely the kulaks or well-to-do category which constituted only four per cent. of the whole, but the middle category which was the largest and which contained many who were only a little better off than their assailants. As a consequence, the overwhelming majority of the peasants became definitely hostile to the soviet régime. The committees of the poor seized land and property, and also appropriated the few manufactured goods that reached the village. But the smallness of the class whom they represented and the crudity of the methods which they employed prevented them from fulfilling the purpose for which they were created, and achieving domination in the village. In many places the remaining peasants formed themselves into armed

bands and physically exterminated the belligerent paupers. Towards the end of 1918 the Government came to the conclusion that the committees of the poor were of little use, and deprived them of official status, at the same time reviving the village soviets.

At first requisitioning did not yield remarkable results, but such as it gave were an advance upon those obtained by other methods. In 1917-18 the Bolsheviks planned to collect 200 million poods; actually they accumulated 47 million poods, 17 million poods of which represented stocks left to them by the Provisional Government. In 1916-17 this Government collected 323 million poods, seven times more than the quantity which their successors, even by the aid of force, secured in the following year. Yet, had the Bolsheviks not resorted to requisitioning, they would have gathered in hardly anything at all.

CHAPTER XI

CODE OF LABOUR LAWS—INDUSTRIAL COLLAPSE—BREAK-
DOWN OF TRANSPORT—SHORTAGE OF FOOD AND
FUEL—MEASURES FOR THE ABOLITION OF MONEY—
FINANCIAL CHAOS (1919)

IN 1919, consequent upon the defeat of Germany in the West, her armies evacuated the Ukraine and other parts of Russia; but this withdrawal brought no relief, for in that year civil war reached its maximum intensity. On more than one occasion the windows of Petrograd were shaken by the cannonade outside the city and the exclamation was heard: "They'll soon be here." In October the Southern White Army, having driven the Bolsheviks from eighteen provinces, containing fifty million inhabitants, reached Tula, about 200 miles from Moscow. In Moscow preparations were being made for the removal of the seat of government to Nijni-Novgorod. Fearing that the downfall of the soviet régime was imminent, many Bolsheviks began to ingratiate themselves with the bourgeoisie, whom but a little while before they had despised and maltreated; many also, anxious to conceal their identity, in the event of the White Army entering the city, secured possession of false passports, of which a number were hastily manufactured.

The threat to Bolshevik power passed, but the cruel strife which preceded and followed it was responsible to a very considerable extent for the collapse of the economic life of the country. Throughout the year the Bolsheviks were cut off from the chief sources of fuel, raw materials, and heavy industrial products, and from some of the

large grain-producing areas. Factories and workshops repeatedly changed hands, and retreating armies did as much damage to plant as was possible in the time at their disposal. Yet, great as was the damage caused by civil war, it did not exceed that wrought by socialisation.

During 1919, 2,875 additional factories were nationalised, bringing the total taken over by the state up to 4,000. All large, all medium-sized, and a certain number of small factories were now nationalised. This meant that forty-one per cent. of all factories in the country had been confiscated, a proportion which in former times was responsible for three-quarters of the total national production.

Although it might be said that the nationalisation of large enterprises was necessary for war purposes, no such justification could be claimed for the nationalisation of smaller enterprises. The expropriation of these smaller enterprises by the Bolsheviks was proof of their resolve to attempt the realisation of socialism, even in the midst of civil war, and a contradiction of the assertion so frequently made by them that they were forced to extend nationalisation solely for defensive purposes.

Lenin was proud of the progress of nationalisation. Addressing the VIII Congress of the Communist Party in March, he said: "We have not yet found a way out of our difficulties. At first we approached them in an abstract way, as revolutionaries who talk but who do not know what is to be done. Many people accused us, and are still accusing us, of attempting a task which we were not qualified to undertake. In my opinion it is to our credit that, in spite of tremendous difficulties, we tried to solve problems which were unfamiliar to us, and that we induced the proletarian masses to work independently and finally arrived at nationalisation."

Together with the extension of state ownership a code of labour laws was elaborated and published. This code was of a two-sided character. One part prescribed rigorous disciplinary measures, whilst the other provided

for the amelioration of working conditions. The first section consisted of a reaffirmation of the liability of all citizens to compulsory labour. In the remaining sections was set forth the following :

The Labour Distribution Departments must find employment for all persons with the exception of those engaged by state undertakings and those required for responsible political posts or for their special knowledge.

An unemployed person must not refuse to work at his own calling, and until he is offered such work must accept whatever employment he is directed to undertake by the Labour Distribution Department, acting in conjunction with the appropriate trade union.

Workers may be transferred by managements, but cannot transfer themselves from one enterprise to another. They may leave work of their own accord or be discharged for incompetence with the approval of the appropriate trade union. In the former instance they must give a satisfactory explanation of their action ; otherwise they can be ordered to continue at work.

The workers in all undertakings must be divided into categories by classification commissions, the wages of each category being determined by the following considerations : character of occupation, degrees of skill, experience and education required.

A standard amount of work must be set for each worker daily, and only on completion of this standard amount shall he become entitled to payment. Should he fail continuously to fulfil the task allotted to him he must be degraded to a lower category.

Each worker must be given a labour book, in which is entered the details of all work done by him, the monies received and the fines paid by him. With intervals for rest, day work must consist of eight hours, night work of seven hours. Piecework and overtime shall be allowable. Each worker shall be entitled to forty-two hours' rest weekly and to a fortnight's holiday yearly.

Health and unemployment insurance funds shall be

established. To these funds employers alone shall contribute.

The interest of the code lay in the evidence which it afforded of the desire of the Bolsheviks to subject the proletariat to discipline. Whilst they still shrank from systematically imposing forced labour upon the whole population, they stipulated that the unemployed should accept whatever work was offered them, that a standard output should be established, that overtime and piecework should be recognised, that inequalities of payment should be allowed, that workers should be tied to particular enterprises, and that records of their careers should be carefully kept. Owing to the prevailing chaos, most of the provisions of the code, particularly those of a beneficent character, were ignored. Men were too preoccupied with the struggle for existence to pay heed to the law.

Inspired by desire to repair the devastation around them, and to increase production, a number of workers, chiefly communists, began voluntarily to work for an additional six hours each Saturday. This movement was regarded by Lenin as "a manifestation of revolutionary heroism of the highest order and the beginning of a change of world-wide significance." At first it attracted a considerable number of adherents, but later enthusiasm for it declined. No amount of willingness could replace the physical strength which was lacking owing to malnutrition.

Skilled workers continued to desert the factories and migrate to the country in increasing numbers. "For months," said Rykov later, in reference to this period, "we could not find a sufficient number of skilled and experienced workers for the factories engaged in supplying the Red Army with munitions to be used for the protection of Moscow. In some establishments production was stopped for the want of not more than twenty or thirty skilled workers. The disappearance of competent labour reached enormous proportions. Many factories possessed adequate supplies of fuel and raw material, but could

not be kept running because of the lack of skilled workers."

As a consequence of the breakdown of transport, there was a famine both of food and fuel in the towns. Efforts were made to raise the output of coal in the Moscow region, which was the only source of supply left to the Bolsheviks, and which before the war yielded little more than one-hundredth part of the coal production of the country. Yet despite the fact that the number of miners in this region was greatly increased, the level of production remained stationary. Orders were given that fourteen million cubic sajens of wood fuel should be prepared during the year, but only six million sajens were obtained, and of this quantity not more than one-third was transported. In defiance of all socialist principles, some local authorities contracted with private individuals for supplies of wood, allowing them a profit of as much as thirty per cent. Towards the end of the year a decree was issued imposing upon all citizens, male and female, between the ages of eighteen and forty years, compulsory labour for the purpose of cutting, collecting, and transporting wood.

Of waters navigable during certain months of the year, there were fifty thousand miles in European Russia alone. On these waters during 1919 only one-fifth of the available tonnage was used, only one-sixth of the pre-war quantity of commodities transported. All barges were nationalised. When winter came they were left uncared for, and many sank as a consequence of damage by ice.

Railways were disorganised. Owing to the lack of coal and oil, locomotives could only be fired with wood, most of which was fresh and damp. Not infrequently drivers left their posts and secured work involving less responsibility. Whenever, as a consequence of mishandling, neglect, or other reasons, locomotives, cars or wagons were damaged, they were moved to sidings. Many locomotives were but lightly damaged, many cars and wagons needed only carpenters' repairs.

Large numbers of them received no attention for months, or were never repaired at all, and years later could be seen standing derelict on the spot whence they had been first placed, the grass having meanwhile grown over them. As wages were regulated according to achievement, it sometimes happened that numerous lightly damaged locomotives were stripped in order to secure parts for repairing others more heavily damaged.

In 1919 out of every hundred locomotives sixty were not in running order; the total number of locomotives in use was decreasing at the rate of 200 monthly; the number of locomotives delivered from the works, including those repaired, was forty per cent. of the total received in 1913; and the number of railway wagons constructed and repaired was nineteen per cent. of pre-war total.

The condition of industry generally became much worse during 1919. Information regarding the position at the end of the year was given by Rykov to an assembly of Economic Councils held in Moscow from January 22 to 25. From this source the following facts are taken:

Of the 4,000 factories nationalised, only 2,000 were working.

For the textile industry, which had been wholly nationalised, only four and a half per cent. of the raw material used in normal times was available. Out of seven million spindles only seven per cent. were utilised. Production was ten per cent. of pre-war amount.

In the woollen industry only a quarter of the available spindles were working.

Until the re-conquest of the Urals in the summer not a pood of metal was produced for Soviet Russia.

The production of large agricultural implements ranged between twenty and forty per cent. of pre-war amounts. "Russia," declared Rykov, "is living on one-third of her pre-war production. For one or two years we may subsist on old stocks, but these stocks are rapidly diminishing." Some economists estimated that pro-

duction during 1919 had fallen to as low as one-fifth of the pre-war amount.

In 1919 the Government extended the measures which had been introduced a year before with a view to the extinction of money. These measures, it will be recalled, consisted in the substitution of moneyless accounting for money and of the shrinkage of the value of money by inflation. Hitherto moneyless accounting had been restricted to: (1) settlements effected between nationalised undertakings for goods delivered or received by them, (2) settlements between nationalised undertakings and other soviet organisations for goods delivered. At the beginning of 1919 a new decree was issued setting forth that in all financial adjustments between central and local soviet bodies payment should be made by means of book entries, money being wholly dispensed with for this purpose.

Six months later a further decree was issued withdrawing from state undertakings the privilege which they had hitherto enjoyed of purchasing under certain restrictions supplies from private individuals. This decree narrowed considerably both the free market and the sphere of money. It meant that as far as the socialised section of national economy was concerned, the use of money would henceforth be confined mainly to the payment of wages.

In May of 1919 all pretence of maintaining restrictions as regards the issue of currency was abandoned, and the Commissariat of Finance was authorised to print as much money as the requirements of national economy demanded. During 1919 the currency in circulation was increased by 164,740 million rubles, making a total of 225,104 million rubles. At this period more than seventy issues of paper money were recognised as legal tender, of which a number, dating from pre-revolutionary times, had ceased to have purchasing power, whilst all notes of remaining issues below a denomination of one thousand rubles had also become valueless. Barter was spreading; moneyless

accounting was replacing money; and trade in all forms was rapidly declining.

Whilst the legitimate need for money was thus diminishing the supply of it was fast expanding. Prices grew more rapidly than did the increase in the volume of circulating currency. "The reasons for this phenomenon," wrote Professor Yurovski, "were not difficult to find. The turnover of trade was continually contracting, and the new paper notes entering, as it were, a narrowing circle, crowded more and more thickly on each other in a shrinking space."

Whereas on July 1, 1918, calculated according to the Index-number of Commodity Prices, the real value of the currency in circulation was 500 million rubles, on July 1, 1919, calculated by the same means, the real value of the currency in circulation was only 152 million rubles. The revenue accruing to the Treasury from the emission of currency also continued to decline. In the second half of 1919 it amounted to only seventeen million rubles, eight million rubles less than in the corresponding half of the previous year. It was evident that the Bolsheviks were making serious progress with their scheme to abolish money, and that the people were paying dearly for this progress.

During the year the confusion into which the state finances had been thrown became worse. As in 1918, revenue consisted of confiscated wealth and the gross receipts of nationalised enterprise. Confiscation continued to be practised with reckless rigour. The extraordinary levy upon the bourgeoisie, which had been initiated in the previous year, was renewed. In some regions the authorities simply forced their way into dwellings and seized whatever goods they desired to seize, in others they published in the Press long lists of streets and the names of the citizens in each street who were required to pay large sums within fourteen days or suffer loss of all their property. Apart from the extraordinary levy, expropriation was resorted to in other forms. All

goods in shops, warehouses, or stores were seized. Most of the valuables confiscated were lodged in a five-storey building. To visit this treasure-house was to pass from life into a fairy story. Strewn on the floors and window-sills were boxes, baskets, and bundles made from torn sheets and table-cloths, all filled with precious stones and objects of gold and silver. Entry was gained through a massive door of steel. The secret lock of the door could only be opened with five keys, each one of which was in the possession of the chief of a commissariat.

The contribution from the extraordinary levy to the budget of 1919 was larger than that received from the same source in 1918, but it was much less than the sum anticipated. This contribution was made up not merely of unproductive savings, but of the proceeds of the realisation of capital invested in productive undertakings which had not been nationalised. When initiating the levy the Commissar of Finance had said that it would be confined chiefly to the first-mentioned category of wealth—unproductive wealth—and that therefore the interests of national economy would not suffer. But experience proved that, once confiscation became identified with the system, it was impossible to set limits to it. The state could not refrain from seizing the earning capital of its private citizens in order that it might maintain its own bankrupt enterprises.

In 1919, as in 1918, state expenditure greatly exceeded state revenue.

The estimates of the Supreme Economic Council for nationalised industry in the first-mentioned year were as follows: expenditure 53,024 million rubles; revenue 15,449 million rubles; deficit 37,575 million rubles.

The estimates of the same authority for nationalised transport during 1919 were as follows: expenditure 16,294 million rubles; revenue 2,194 million rubles; deficit 14,100 million rubles.

The state budget deficit was again enormous; according to the estimates, it amounted to seventy-seven per

cent. of the expenditure. No reliable information has ever been forthcoming regarding the extent to which even these estimates remained unfulfilled. Only a very small proportion of the revenue budgeted for reached the Treasury—not more than ten per cent., in the opinion of soviet economists. For this circumstance the local authorities were partially responsible ; again they retained for their own use considerable sums which they had collected on behalf of the central government. Of the total revenue, currency emission provided little more than seven per cent. which was mainly absorbed in the payment of the money part of wages. The remaining revenue was raised by making use of those assets which were exploited for the same purpose in the preceding year—namely, reserves of commodities inherited from the former régime, including gold, property expropriated, corn requisitioned, and the compulsory employment of the bourgeoisie.

CHAPTER XII

EFFECT OF THE BLOCKADE—NEGLIGENCE AND CORRUPTION—FAMINE IN THE TOWNS—SUFFERINGS OF THE POPULATION—CONTRASTS OF LIFE (1919)

DURING 1919 the number of persons dependent upon the state considerably increased ; towards the end of the year it was about twenty millions.

Amongst the measures taken by the Bolsheviks to secure food for these masses was the creation of state farms and agricultural communes and artels, all of which proved to be economic failures. Requisitioning of grain by machine-gun detachments continued. For this form of requisitioning Russian history affords precedent. Under the monarchist régime in the sixteenth, seventeenth, and eighteenth centuries, state monopolies of grain were sometimes established, and supplies confiscated. In the sixteenth century the Government also reserved to itself the disposal of a number of commodities other than cereals.

Of the grain produced in Russia before 1914, 591·5 million poods were exported abroad and 589·0 million poods disposed of at home for feeding the inhabitants of the towns and the peasantry of the northern part of the country. In 1919, as in 1918, there was no export of grain. For that reason the amount retained in Russia was probably larger than in pre-war days. But owing to civil war, foreign intervention and socialist experimentation, the proportion which reached the consuming population, apart from the producers themselves, was far lower than in normal times. Prior to 1914 eleven provinces disposed in the home market of more than one-

half of the grain which they produced. To some of these provinces the Bolsheviks were denied access throughout almost the whole of 1919; to others during that year they had only intermittent and precarious access, but whenever and wherever it was possible for them to do so they seized the surpluses which the peasants produced over and above the quantities which they were permitted to retain for themselves. Most of this requisitioned grain was reserved for the towns. Even the peasants of infertile northern regions, whither rye had been imported in pre-war days, were subjected to a "victualling norm"—that is to say, were permitted to retain for their own consumption only such quantities of grain as were determined by official edict. Consequent upon the rigorous confiscation of the extremely small surpluses available in these regions, hunger prevailed in some areas.

Accurate figures as to the amount of grain requisitioned by the Bolsheviks during 1919 are lacking. Several estimates placed it at one hundred million poods, a total twice in excess of that expropriated in 1918, but only one-third of that collected by the Provisional Government in 1916-17, and one-fifth of that sold in the home market before the war. In these circumstances continuation of hunger in the towns could not be prevented.

Many Bolsheviks attributed the smallness of the amount of grain secured from the peasants chiefly to the blockade. They reasoned in this way: If Russian ports had been open, manufactured articles, particularly agricultural implements, would have flowed into Russia. As a consequence a considerable fund of goods would have accumulated for exchange with the village, an adequate supply of food would have been available for the towns, and the workers properly fed and the peasants properly equipped would have maintained higher levels of production. It could not be denied that the blockade contributed to the embarrassment of the Bolsheviks, but the damage which resulted from it was not so great as some of them believed it to have been. Had the seas been free, economic decline

resulting from civil war and social strife would nevertheless have been swift and calamitous, and this decline would certainly have been accompanied by drastic lowering of exports—in other words, by contraction of the only means by which imports could be paid for. Lenin himself confessed that the Bolsheviks failed at this period chiefly because of their own ignorance and backwardness.

As regards food, the villages fared better than the towns. In most regions all but the poorest were assured of sufficiency; for confiscatory measures, no matter how severe, could be evaded not merely by concealing supplies, but also by consuming in excess of the legal norm. At the third congress of Trade Unions, Lenin made much of the fact that whilst the proletariat hungered, the peasantry were well fed. "In 1918 and 1919," he remarked, "the industrial workers received yearly only seven poods of bread per head, while the peasants of the fertile provinces received seventeen poods per head. The proletariat gained its victory, thanks to which it fell into a period of starvation, while the peasantry have more than they require. At the very best, under the Tsarist régime the peasant had sixteen poods, whilst under the soviet régime he has seventeen poods. We have statistical data to prove the truth of this assertion."

Although in most rural regions there was a sufficiency of food, factory-made articles were extremely scarce. In those villages within reach of the railway the bartering of produce for goods brought by townsmen went on; but such goods were of a kind considered luxurious for the country, and the peasants were only able to acquire them because a time had come when food was much more highly valued than manufactures, when the normal relations between town and village were reversed, and the mujik for once could dictate his own terms. While being in a position to secure fanciful articles which had not been seen before outside the towns, the peasants were forced to make all sorts of useful implements for their own use. In villages situated a little distant from railways

life went back several centuries. The inhabitants of these villages took to wearing coarse garments worked up from flax, and spinning-wheels appeared in many huts. Able to feed themselves and to improvise crude substitutes for factory products, the peasants achieved a measure of independence. The proletariat, on the other hand, were helpless and hungry. Yet not all of the suffering they endured was the consequence of the shortage of requisitioned supplies. Owing to bureaucratic mismanagement, only a very small proportion of these supplies ever reached the town population.

As has been said, the quantity of grain accumulated was only one-fifth of that consumed by the home market before the war. Of this fifth but one-tenth was distributed. An official report of the Workers and Peasants Inspectorate, based upon the investigation of an Extraordinary Revision Commission, which was published in Moscow in 1919, declared that the food administration throughout the country was cumbrous, costly, and ineffectual. "According to the evidence of competent persons," continued the report, "nowhere has the administration capable officials, reliable statistical records, or clear and accurate methods of accountancy. . . . If we turn to the centre, and study the endless sections, subsections, and offices of the Commissariat of Food, we find floods of paper, responsible officials overwhelmed with correspondence, hundreds of bored clerks lacking all initiative, regarding their work as a burden, and exhibiting extraordinary indifference towards visitors. . . . A department is transformed into an administration, which affords it an opportunity for splitting up into departments, which in turn split up into sections and subsections. The general tendency is to maintain masses of workers when there is nothing for them to do."

Reports relating to separate regions spoke of negligence and corruption. Thus it was stated that in the various food offices only local communists were employed, and that no qualifications were required of them; that

immense stocks of rotting food were found everywhere ; that it was impossible to establish the amount of theft and fraud practised ; that the distribution plan remained nothing but a plan " because there is available less than a third of the amount planned " ; and that capitals received more than other towns and large numbers of favoured individuals more than the rest of the population.

An indication of the desperate straits to which the whole town populations had been reduced was afforded by the condition of the proletariat, the most-favoured section of the community. Workers could earn up to 10,000 rubles weekly, which in pre-war days was the equivalent of about £1,000. This sum included premiums for piece-work and payments for overtime. Excluding both, the minimum wage prevailing was less than 1,600 rubles, the equivalent of about £160 before the war. Economists differed as to the actual value received by the average worker in terms of pre-war rubles. Taking money and kind together, some declared it to be 6 rubles 77 kopecks (about 13s. 7d.) monthly, others 2 rubles 50 kopecks (about 5s.) monthly. The first estimate was the larger because it was based upon the by no means justified assumption that each worker was responsible for the maintenance of at least one non-producing dependant ; and because it included certain free communal benefits, as, for example, housing accommodation, baths, entertainment, etc., some of which were rarely available, whilst the value of all was greatly lessened as a consequence of the turmoil of the times. In view of the circumstance that, with but few exceptions, the whole population of the towns was starving, real wages in the strict sense of the term could only consist of food or of money that would buy food. Because it recognised this truism, and also took into account the fact that wages were very irregularly paid, the second estimate of real earnings cited above was the more reliable of the two. Soviet authorities also differed as to the extent by which real earnings had fallen since the war. Some estimated it at

seventy per cent., others at eighty-six per cent. Included amongst the latter was the Commissar of Labour, Mr. Schmidt.

From time to time wages were raised, but in 1919 the Central Council of Trade Unions came to the conclusion that further increase was impossible. This authority then estimated that the payment of a minimum wage of 1,600 rubles monthly would involve the state in a monthly expenditure of forty milliard rubles for wages alone, a sum equivalent in pre-war rubles to about £4,000,000,000.

It was impossible to say with accuracy what the workers received for their wages. Food rations, of which wages chiefly consisted, varied in different areas; in Moscow, Petrograd, and other large centres they were as follows: at intervals of from two to four or five days a quarter or half a pound of bread; and during periods of about a month a few herrings, a few pounds of potatoes or beetroots, from half to three-quarters of a pound of vegetable oil and a little sugar. Workers in "shock" industries received rations a little larger than those given to the others. Frequently the perishable commodities served out were frozen or putrid. In addition to the rations described, each worker was given a daily meal in the communal dining-room of the factory or workshop where he was employed, but this meal consisted of no more than watery soup, a little bread, and on special occasions a portion of stale herring. It should be added that the rations of non-proletarians were much lower than those of proletarians.

For the monetary part of their wages the workers could get little on the so-called free market. In Moscow at the pre-war value of the ruble prices per pound were as follows: butter from £10 to £12; rye bread from 24s. to 32s.; sugar £10; beef £2 15s. to £3; horseflesh 24s. to 32s.; tea £9 to £10. The fall in the purchasing power of wages might be illustrated as follows: before the war the expenditure of a sum equivalent to the whole monthly wages of a worker would have procured each

day a hundred pounds, if not more, of bread, or four pounds either of tea or butter; in 1919 the same expenditure would have obtained only three pounds of bread or three ounces either of tea or butter.

The workers could not possibly live upon their wages. The purchasing power of the monetary part of these wages was insignificant, and the rations, of which payments in kind largely consisted, were miserably small. The report of the Commissariat of State Control on the food administration, extracts from which have already been quoted, said frankly that no one could live without practising fraud. "With few exceptions," added this document, "the inhabitants of consuming regions satisfy ninety per cent. of their needs in the matter of food by private means. Where then is 'the monopoly,' 'the dictatorship,' 'the fixed price?' They do not and cannot exist. Such a system has opened the door to general lawlessness."

Speculation was freely indulged in by all sections of the population. Railwaymen profited personally by conveying and sometimes selling goods on behalf of private traders. Officials, including those belonging to the G.P.U., were corrupt. It was common knowledge that only by payments of bribes could long delays be avoided in dealings with government departments.

The workers illegally augmented their wages in a number of ways. Those in a position to do so continued to appropriate some of the articles in the manufacture of which they had participated, and if these were not obtainable, plundered raw materials, tools and instruments. Others in their own time used the equipment and property of the factories where they were employed for making articles which they disposed of privately. "If this goes on much longer," said Mr. Schmidt, the Commissar of Labour, "there will be an end to the state."

Many workers increased their earnings by contriving to get possession of ration cards stolen from the food administration. It was noticed that whilst the population of large towns was decreasing, the ration cards in

circulation were increasing. In Petrograd alone it was discovered that the number of ration cards in use was half a million in excess of the authorised total. Yet, although to a certain extent rations were augmented from the proceeds of pillage, the proletariat could never procure enough to satisfy their hunger. Physiologists, having ascertained the value in calories of the food consumed by the workers, reached the conclusion that their organisms were being starved, and that they were rapidly using up their reserves of vitality. It was not surprising therefore that the number of days during the year on which they absented themselves from the factory should have been as high as sixty-eight, and that production should have fallen to well below a third of pre-war amount.

No recital of economic facts could convey an adequate idea of the suffering which the town population was called upon to bear. The old order was perishing, and signs of a new order were almost invisible. Fated to participate in the destruction of a civilisation of which they were the creatures, many imagined themselves to be in the presence of the end of all things. Existence which but a little while before had been secure and comfortable suddenly became hazardous and atrocious. All felt that death was near, and that nothing could be done to prevent it from coming nearer. Although human beings lingered on, life, it seemed, had passed. The streets looked desolate; shops were shut; dilapidation was obtrusive; walls were disfigured by plasterless patches and windows by shattered panes; whole blocks lay in ruins; traffic was rarely seen; passers-by were so ill-shod, so ill-dressed, as to give the impression of an endless procession of beggars shuffling by. A fainting pedestrian was a familiar sight. Familiar also was the heedlessness of others on such occasions. Unable to take their minds for an instant off themselves, fearful of attracting the notice of a spy, all shunned a stranger.

In winter conditions were less endurable than at other seasons. Movement was then impeded by the high piles

of snow which accumulated in most thoroughfares. Dwellings in the centre of the town were occupied by communists and their friends. Each morning large numbers of state employ  s were compelled to trudge for several hours through the snow in order to reach the departments in which they were engaged. As they had no goloshes and their boots were in bad repair, many arrived at their destination with feet half-frozen. In the unheated offices where they worked the cold was so fierce that it turned ink into ice. At short intervals fingers grew benumbed, and pens had to be laid aside for a while. In the evening all those who had been employed during the day tramped through darkened streets to homes which were frequently without warmth or light. Here the old people and the children had been left since morning.

Domestic life was tragic. There were few in whom a spark of selflessness survived. It frequently happened that different members of a family received rations of different quantities, and that those who had the most refused to share with those who had less. Also it frequently happened that by pilfering and other means some contrived to get larger shares. In all such instances envy and even malice were excited. Not rarely the members of a starving family sat round a table intently watching the morsels which each one took. Nearest spied upon nearest, sordid angry scenes occurring when anyone was discovered eating in secret. Always food was the topic of conversation. In the course of time people grew feeble and listless. With eyes closed, several in a room, they spent hours at a stretch lying on beds or divans buried beneath clothing to escape from the terrible cold. On such occasions they felt abandoned, and could not refrain from thinking ill of one another; or, lapsing into a half-dazed condition, they saw visions which were invariably fantastic, often terrifyingly so. Before the revolution many had suffered from poverty, but few perished from it. Now, irrespective of their former

circumstances, the danger of death from hunger faced all. Before the revolution the fact that relatives and friends could look to each other for help and counsel gave to affection a basis of reality. Now this basis no longer existed, for everyone was powerless to help and counsel was of no avail.

Apart from bitterness occasioned by deprivation, life was vile in many ways. Sanitation broke down; refuse and excrement accumulated indoors; water was difficult to procure; soap was scarce; bodies and clothing were seldom washed; lice and other insects infested every place where human beings congregated. It was rare to come across a house in which someone was not ill from typhus. On railway platforms and other public places batches of sick people lay about awaiting transport to hospitals which were already so full that patients overflowed into corridors. Death was the neighbour of everyone. But disease was not the only devastator; people were found dead in their homes, having succumbed to cold and hunger. Parties organised for the purpose of searching for food in the country always lost several of their members from typhus and exposure. As undertakers were incapable of meeting the demands made upon them, most factories took to making coffins in preparation for the burials of their employés. Owing to the need of clothing for the living, the dead were stripped of apparel. All mortuaries were packed with naked corpses, many of which for long remained unidentified.

Relatives and friends were divided not merely by physical death and spiritual exhaustion, but also by political difference and enforced migration. Frequently one part of a family was communist, another part anti-communist. Instances of the denunciation of parents by children occurred. Many who feared arrest left their families and became fugitives; children were given up to be placed in concentration camps situated in far regions, towns and territories were repeatedly taken and re-taken, and on each occasion large numbers were cut off from the

communities to which they belonged, or for various reasons took flight. Thus many became separated by great distances from those with whom they had lived in association all their lives; and of these not a few were never heard of again.

Growth of crime added to the horrors of existence. This growth was a reflection of the animality to which a very large section of the population had sunk. It was also an outcome of the release of criminals consequent upon the revolution, of the raising of the status of this class, one evidence of which was the appointment of many belonging to it to official positions, and the impression conveyed by Bolshevik propaganda that theft was a civic virtue. Both in town and country highway robbery was extensively practised. Youths formed murderous bands, to which they gave theatrical names, such as "Band of Terrorist Devils," "The Nine of Death," and "Your Money will be Ours." Some when captured said quite frankly that to kill and rob the rich was no crime. One Moscow bandit had seventy-eight murders to his credit. After stunning a number of victims, it was his custom to arrange them fan-wise on the ground before proceeding to cut off their heads with an axe.

Banditry was the only form of collective enterprise that thrived. Until such time as they were caught and shot those who engaged in it lived the lives of vulgar rich. In the midst of famine they lacked neither the necessities nor the luxuries of life. They drove out in showy equipages, kept mistresses who over-dressed and covered themselves with jewellery; and by paying bribes secured entry to large flats.

The only other members of the population who lived equally well were speculators and a section of communists together with their relatives and friends. Of the doings of the last-mentioned, accounts have been written by responsible individuals who at one time were closely identified with the Bolsheviks. In his memoirs, Mr. Soloman, a friend of Krassin and of other leading Bol-

sheviks, described the life led in the Hotel Metropole, a large building situated in the centre of Moscow, and formerly one of the most luxurious hotels in Russia. Under capitalism part of this establishment had been no more than a brothel in disguise. Under communism the same condition continued, the only difference being that the inmates were much poorer than their predecessors. Nominally accommodation was reserved for highly-placed communists, but communists of all grades, together with their relatives and friends, succeeded in gaining admission. One communist quartered three families of his own in the building; others also secured apartments for their mistresses there. Orgies and banquets were of frequent occurrence. Many of the residents exhibited the dirtiest habits imaginable and when remonstrated with replied: "Mind your own business; it's nothing to do with you." Soon the whole place was insect-ridden and wretched-looking. Each night party meetings were held lasting from eleven o'clock until three o'clock in the morning; the purpose was to safeguard discipline; but the proceedings were confined to the settlement of trivial squabbles, conduct of a really discreditable character being passed over. The gatherings took place in the white hall; and the president was seated on the platform, where the orchestra played in the days when the hotel was tenanted with capitalist guests. Outside barricades had been erected; and Red guards mounted sentry.

Of the life in other communist hotels at this period, Emma Goldman wrote from experience.¹ She related that after renovation the Hôtel de Luxe in Moscow was reserved for the guests of the Third International. In the face of abject want, with men, women and children hungrily watching the white bread baked for the hotel in an adjoining bakery, one of the American fraternal delegates wrote to a publication at home that "the workers in Russia control the industries, and are directing

¹ "My Disillusionment in Russia," by Emma Goldman. C. W. Daniel & Company, 1922.

the affairs of the country; they get everything free and need no money." The delegate lived in the palatial house of the former Sugar King of Russia and enjoyed also the hospitality of the Hôtel de Luxe. As Miss Goldman remarked, "He indeed needed no money. But he knew that the workers lacked even the basic necessities of life, and that without money they were as helpless in Russia as in any other country, the week's payok (ration) not being sufficient for two days' existence." Another delegate published glowing accounts of the absence of prostitution and crime in Moscow. At the same time the Cheka was daily executing hold-up men, and on the Tverskaya and the Pushkin Boulevard near the Hôtel de Luxe street-women mobbed the delegates with their attentions. Their best customers were the very delegates who wrote so enthusiastically of the Bolshevik régime.

Miss Goldman also had something to say of life in the Astoria Hotel in Petrograd, one of the newest and finest buildings of its kind in Russia. This establishment had been renamed "The First House of the Soviet." Inmates were given rations much superior to those received by workers in the factories. It was true that such rations were insufficient to sustain life, but no one in the Astoria depended upon them alone. Communists quartered in the hotel worked in the Smolny Institute, and the rations in the Smolny Institute were the best in Petrograd. In the Astoria kitchen inequality was undisguised. "I went there frequently," said the writer, "though it was torture for me to prepare a meal: the savage scramble for an inch of space on the stove, the greedy watching of the women lest anyone have something extra in the saucepan, the quarrels and screams when someone fished out a piece of meat from the pot of a neighbour. But there was one redeeming feature in the picture—it was the resentment of the servants who worked in the Astoria. They were servants, though called comrades, and they felt keenly the inequality."

CHAPTER XIII

RAISING OF THE BLOCKADE—DEFEAT OF WHITE ARMIES
—PARALYSIS OF RAILWAY COMMUNICATION—IN-
SOLVENCY OF STATE ENTERPRISE—A BUDGET DEFICIT
OF ONE THOUSAND MILLIARD RUBLES (1920)

THE beginning of 1920 brought some relief to the Bolsheviks. On January 16 the Allied blockade was raised. By then also the White armies operating from the south were in full retreat, whilst those under Koltchak in the east were dispersing. On the other hand, war broke out with Poland, but this circumstance did not prevent the Bolsheviks from reaping the fruits of successes in other directions and regaining access to the outer world and the chief sources of coal, iron, oil, cotton and grain within Russia. Of the large reserves accumulated near these sources it was possible only to transport a small proportion, the reason being that the damage inflicted upon communications by civil war was very great. No fewer than 3,600 railway bridges and 380 engine depots and repairing shops had been destroyed. Seventy-five per cent. of the total number of locomotives were out of running order. Lomonosov, the noted railway engineer, presented a diagram to the soviet leaders vividly illustrating the growing paralysis of railway communication. "At the end of the year comes death," he said. By this phrase he meant that there would then not be a locomotive left capable of drawing a train, and that all traffic would cease.

Rykov, speaking before a Congress of National Economic Councils held in Moscow during January, explained in detail the difficulties which had arisen as a consequence of this breakdown of transport. Prefacing

his remarks by contradicting the commonly-held assumption that the lifting of the blockade would alleviate shortage of raw materials, he declared that such shortage would merely increase demand, "for raw materials are the sole products which Russia can exchange with Europe." Thus Rykov implied that even had the seas been open, Russia could not have traded with the rest of the world, and that the chief cause of her economic downfall was internal strife. In pre-revolutionary times her exports consisted of raw materials, food, and articles wholly or partly manufactured. Of raw materials and food, reserves were available after the revolution, but up to 1920 as a consequence of civil war and revolutionary policy these reserves were to a considerable extent inaccessible to the Bolsheviks. Had there been no blockade, therefore, they could not have exported commodities, and would thus have been deprived of all means of paying for imports other than by withdrawals from their gold reserve. Nor after the blockade was raised did their situation improve, for the reserves of raw material and food which fell into their possession were wholly required for internal needs, and of these reserves but a small proportion could be moved owing to the breakdown of transport. Among the facts mentioned by Rykov in the speech already quoted were the following: Six hundred thousand poods of cotton were required monthly for the Moscow textile mills. In Turkestan there was a stock of eight million poods. As only two trains were available monthly, "decades will be required to transport this amount."

Only one goods train was available monthly to bring minerals from the Urals to Central Russia. The transportation of ten million poods of metal would also require decades, and this was but "an insignificant portion of the accumulation in the Urals."

There was reputed to be one hundred million poods of coal on the surface in the Donets region. So long as railways and bridges remained in disrepair, little of this reserve could be transported.

Lastly, Rykov dealt with food supplies. After mentioning that the workers did not even receive the trifling rations to which they were entitled, he said that there were not sufficient granaries to hold the grain which had accumulated at railway stations, and which for want of locomotives and waggons could not be moved to feed "the hungry masses." To the Bolsheviki this store appeared very large after the scantiness of supplies in the past; but judged by normal standards it was very small. "It is enough to satisfy the needs of the workers and peasants on an established scale for three months," exclaimed Rykov. Then, as an afterthought, he added: "It is, of course, no great boast to say that the food supplies of one of the largest grain-producing countries in the world are ensured only up to the month of April. . . . When in factory meetings it is said that the economic front can only be broken by means of food, the answer must be made that it can only be broken by work. From whatever aspect we regard the situation, we always come up against the productivity of labour. The solution lies entirely in the hands of the workers and peasants. They have no real lack of food and fuel; they must put locomotives in order so that food and fuel may be brought to factories and workshops." In these circumstances no improvement in the situation could be looked for. According to Mr. P. Popov, the Director of the Central Statistical Bureau, the productivity of industry calculated in million gold rubles at pre-war prices was 6,059.2 in 1912 and by 1920 this total had fallen to 835.8. Professor Prokopovich, summing up the fragmentary data regarding Russian industry in 1920, declared that the number of workers employed was forty-six per cent., the productivity of the average worker from thirty to thirty-five per cent., and the total productivity of industry 14.5 per cent. of pre-war totals.

The only industry which thrived was that concerned with the manufacture of paper money. During 1920 the currency in circulation was increased by 943,582 million rubles, bringing the total up to 1,168,596 million rubles.

This total was twenty-five fold larger than the amount of currency in circulation in 1917, when the Bolsheviks assumed power, and would have been larger still but for the fact that reserves of commodities were in hand. Two years later these reserves became exhausted, and by then the volume of currency in circulation had grown two hundred thousand fold larger than in 1917.

The value of circulating media continued to fall. On July 1, 1920, calculated according to the Index-Number of Commodity Prices, it was 62.9 million rubles, compared with 152.9 million rubles on July 1 of the previous year. Likewise, calculated on the same basis, the revenue accruing to the Treasury from the issue of notes also continued to fall. In the second half of 1920 it amounted only to 10.2 million rubles, compared with 18.1 million rubles in the second half of the preceding year.

National insolvency reached stupendous proportions. Of the receipts budgeted for only ten per cent. were paid into the Treasury. The Extraordinary Revolutionary Levy upon the bourgeoisie yielded only half the total obtained in the previous year. The losses incurred on behalf of state enterprise increased enormously. The estimates of the Supreme Economic Council for nationalised industry were as follows: expenditure 368,212,000,000 rubles; revenue 52,650,000,000 rubles; deficit 315,562,000,000 rubles. This deficit was nearly ten times in excess of that of the previous year.

The estimates for the nationalised railways were as follows: expenditure 70,209,000,000 rubles; revenue 18,431,000,000 rubles; deficit 51,778,000,000 rubles. This deficit was nearly three times in excess of that of the previous year.

The deficit of the state budget was estimated at one thousand milliard rubles, or eighty-seven per cent. of the estimated expenditure. This deficit was covered entirely by issues of paper currency. It should be borne in mind that the ruble was worth only a fraction of a kopeck. Budget figures running into milliards were therefore

unavoidable. When these figures were converted into goods or pre-war rubles, totals shrank considerably. Having calculated the estimates for 1920 on this basis, Professor Prokopovich reached the following results: expenditure 147·8 million rubles; revenue 19·4 million rubles; deficit 128·4 million rubles.

According to these figures budget expenditure in 1920 was one-twentieth of that of 1913, and lower than at any time during eighty-eight years. An outlay of 150,000,000 rubles (£15,000,000) was manifestly inadequate, for inasmuch as the soviet state defrayed all expenditure for industry and for railways, and assumed responsibility for the livelihood of nearly forty million people, its burdens were far heavier than those of former governments. The truth was that, as in previous years the Treasury drew largely upon sources of wealth undisclosed in the budget.

When in 1920, as a consequence of the defeat of the White armies, access was regained to Siberia and the fertile south, the Bolsheviks hoped that hunger in the towns would be alleviated. They began the year with undisputed control over the chief grain-producing regions of Russia, and, according to Rykov, with a reserve of cereals sufficient to last for three months. But this reserve did not last so long as had been anticipated; it began to show signs of exhaustion as early as February. Of the 320 million poods which the Bolsheviks planned to secure by requisitioning in the course of 1920, about 212 million poods were obtained, a quantity double the amount collected in 1919, but less than half the amount disposed of in the home market before the war, and only one-fifth of this amount plus exports prior to 1914. Yet although, contrasted with pre-war achievement, the quantity of grain secured was very inadequate, the fact that it was larger than in 1919 led to slight improvement in the food situation. Such improvement would have been more marked had not distribution continued to be chaotic.

Various reasons accounted for the insufficient collection of cereals. The harvest was poor. It yielded only

1,700 million poods, compared with 4,000 million poods, the average for the period 1909-13; or but one-half of the whole quantity consumed within Russia in 1915 both by producers and non-producers. In the Volga region there was a failure of crops which presaged the great famine of a year later. But the real reason for the poverty of the harvest was the continued shrinkage of the cultivated area and yield which began in 1919. The Commissariat of Agriculture stated that, whereas in 1913 the area under cultivation was 87·4 million dessiatins, in 1920 it was only 62·3 million dessiatins; other authorities gave a figure lower by several million for the later year. Statistics of the Commissariat of Agriculture also showed that the yield of crops for each dessiatin cultivated had diminished on an average from twenty to thirty per cent., compared with the pre-war yield, and that in crops used for industrial purposes, as, for example, flax, hemp and cotton, the decrease was even more considerable, in some instances amounting to as much as sixty per cent.

Other information from the same source was to the effect that since 1916 the number of horses had declined by twenty-five per cent., of draught cattle by thirty per cent., and of pigs by over fifty per cent.

Professor Weinstein of the Commissariat of Finance collected data from which he concluded that the production of the peasantry in 1920 was 54·5 per cent. of the pre-war amount. This percentage, though only half of the 1913 total, was three times in excess of the corresponding percentage for industry. Thus it was plain that the country was better off than the town; for, whereas the production of both had fallen, the country could feed itself, but the town was forced to starve.

Many circumstances brought about the decline of agriculture. War and revolution devastated fields as well as factories. Millions of men were withdrawn from the land for service in the Red Army. Epidemics destroyed numberless peasants. Markets abroad as well as at home vanished. But of all the calamities that befell agriculture

none was so ruinous as requisitioning. Everything possible was done by the peasantry to evade it. To prevent livestock from falling into the hands of the Government they slaughtered and consumed a large number of sheep and pigs. By a curious circumstance cows escaped the massacre. As each household was allowed to retain not more than one cow, many households divided, thus automatically multiplying their total and relieving large numbers of cattle.

Not less ingenious were the methods of evasion practised as regards the land. At one time the peasantry extended cultivation of those crops not subject to requisitioning; but after a while all such crops were brought within the scope of confiscatory laws. In regions which before the revolution had imported grain from other parts the area under cultivation diminished to well below half a dessiatin for each person—that is to say, was much less than the minimum considered essential for bare subsistence. In those regions which before the revolution had produced substantial surpluses over and above their own requirements the area of cultivation decreased rapidly.

Rather than surrender to the socialist state, rather than feed the starving proletariat of the towns, the peasants preferred to reduce cultivation to such an extent as to endanger even their own existence. Already many had carried this reduction so far that they were starving themselves; and of the remainder, the vast majority were on the verge of hunger. Thus, by bringing deprivation upon himself, the mujik paid for the deprivation inflicted upon others.

Up to 1920 the fact that whenever requisitioning was applied in a new territory, contraction of cultivated area soon followed, clearly pointed to confiscation as the primary cause of the fall of agricultural production. Up to 1920 also, there was evidence to show that the diminution in the proportion of the harvest available for internal consumption was also largely due to requisitioning.

In that year the proportion fell to as low as one-eighth, compared with one-fourth of that in pre-war years. But requisitioning did not wholly account for the acceleration of decline. Fearing that famine was approaching, and that there would be a shortage of seed, the peasants held on to grain more tenaciously than ever.

CHAPTER XIV

ABOLITION OF THE PEOPLE'S BANK—SEARCH FOR ALTERNATIVES TO MONEY—FAILURE TO FULFIL A FUNDAMENTAL CONDITION OF MARXISM (1920)

IN the previous chapter it was shown that in 1920, after the raising of the blockade and the defeat of the main White forces, the economic situation became much worse. Industry continued to decay. The decline of agriculture, hitherto slower than that of industry, quickened. The severance of town from country was complete. Money was as good as worthless. Manufactured goods were so scarce as to be of no account. Force was the only means by which food could be extracted from the peasantry. And even force was becoming fruitless, for those against whom it was used contrived to be so destitute as to have little or nothing which could be taken from them. The time was coming when peasant as well as proletarian would starve, when agriculture as well as industry would be ruined, and when large masses of the population would revert to savagery. While the calamities described were approaching, the Bolsheviks did not relax their policy of socialisation; on the contrary, they developed it with extraordinary intensity. Nationalisation was energetically continued. Small as well as large undertakings were expropriated. It was estimated that out of 37,000 enterprises which had been socialised at the end of 1920, half had no mechanical power and five thousand but one employé. In some regions windmills, blacksmiths' forges, and sewing-machines were pompously declared to be public property. Together

with the extension of nationalisation went the elaboration of further measures designed to bring about the extinction of money. One of these measures was the virtual abolition of banking. Under the Bolshevik system the financing of industry and commerce was theoretically simple. Both were almost wholly state-owned. Unsparingly enterprises estimated their own needs, and unsparingly these needs were met from the proceeds of currency emission and of realisation of various assets. In these circumstances the People's Bank, which was the successor to the State Bank, had no credit functions to perform and merely acted as a clearing department. As time went on it identified itself more and more with the Commissariat of Finance, which was then preparing itself for the day when it should discharge the task of recording the moneyless settlements of soviet enterprises.

At the beginning of 1920 the People's Bank was abolished, and the issuing of notes was transferred to the Commissariat of Finance. The decree on the subject was dated January 19. It declared that "the nationalisation of industry has concentrated in the hands of the Government all the most important branches of production and supply. Simultaneously, it has subordinated the entire state industry and commerce to a common order of estimates, thereby excluding any necessity for the further utilisation of the People's Bank as an institution of state credit in the accepted sense of the term. The system of banking credit still remains in force for small private industrial enterprise and the needs of individual citizens who place their money in state savings institutions. Nevertheless, as these transactions are gradually losing their importance in the economic life of the country, the existence of separate banking institutions is no longer necessary. Such transactions are now of secondary importance, and may be successfully carried out by the central and local institutions of the Commissariat of Finance, which are being reformed

on the basis of the establishment of a single cash and estimate-accountantancy apparatus."

Five months later, on June 18, the Central Executive Committee passed a resolution directing the Commissariat of Finance to simplify its organisation both in the centre and locally, as a preparation for becoming the book-keeping department of the proletarian state, and to increase its endeavours to extend moneyless settlements, so as to bring about the "complete abolition of the monetary system."

Money was perishing as a consequence, not so much of moneyless settlements, as of frenzied inflation. The ruble had long ceased to be a stable unit of value and nothing had been created to take its place. For that reason economic calculation was impossible, and the finances of all enterprises were in confusion. For that reason also, the towns starved, the peasantry refusing to give up food to them in return for worthless money. The Bolsheviks now realised that, having destroyed the ruble and with it the civilisation of the past, they must lose no time in finding a stable substitute. This substitute, it was resolved, should be a labour unit of value. A National Economy Congress held in January of 1920 urged that it should be made incumbent upon state undertakings to adopt a unit of this kind. Such recommendation was in accordance with the Marxian theory that the value of commodities depended solely on the amount of labour involved in their production and incorporated in them as finished articles.

The search for a means of giving effect to this theory encountered many obstacles and gave rise to much controversy. Ultimately the Government produced a plan which they proposed should come into operation the following year and according to which a normal day's labour in any particular trade was to be regarded as the standard unit of value. Such a project was exposed to criticism on a number of grounds. It was said, for example, that determination of labour expenditure with

anything approaching accuracy was impossible, and that therefore the choice of "a normal day's labour" as the unit of expenditure was purely haphazard. It would be absurd, the critics declared, to determine the values of cloth or meat which could be accurately measured, the one in yards, the other in pounds, by the unit of a day's labour, which might mean anything. It was also objected that labour could not replace money, for, unlike money, it was incapable of satisfying immediate human wants. The value of labour, it was pointed out, was only realised in the value of the commodities which it produced, and such value was the expression of usefulness and demand, a fact ignored by those who wished to make labour-expenditure the standard of value. Lastly, soviet theorists were baffled by the varying quality, and hence the varying value, of labour. They understood that it was impossible arbitrarily to reduce the value of all labour to that of the lowest level—unskilled. But they were unable to devise a means for ascertaining the true economic differences between various grades of labour. Eventually the suggestion was made and accepted in responsible quarters that the true reflection of these differences was to be found in the differences of the wages paid to each grade. "This simple solution," commented Professor Prokopovich,¹ "leads to unexpected conclusions. In capitalist Russia remuneration of highly-skilled labour exceeded by eight or ten times that of ordinary labour. In Soviet Russia the ratio between the two is 1.75 to 1. The question arises: 'Which rate better expresses the actual relationship, the capitalist or the socialist?'"

The difficulty of replacing the ruble by a labour unit appeared to be insurmountable, and the project was abandoned. Thus the attempts of the Bolsheviks to carry their Marxist principles to a logical conclusion were defeated. "Without entering here into the question

¹ "The Economic Condition of Soviet Russia," by S. N. Prokopovich, p. 55. P. S. King & Son.

as to whether the problem generally admitted of a solution," remarked Professor Yurovsky,¹ "we may say that the extensive labour expended upon it produced no scheme capable of practical fulfilment, nor indeed any positive results even of academic interest."

¹ "Currency Problems and Policy of the Soviet Union," by L. N. Yurovsky, p. 34. Leonard Parsons.

CHAPTER XV

MILITARISATION OF LABOUR—STATUS OF THE TRADE UNIONS—DISPUTE IN THE COMMUNIST PARTY— DECENTRALISATION (1920)

Two efforts of the Bolsheviks to bring about a speedy realisation of socialism after the defeat of the White armies in 1919 have been described—the extension of nationalisation and of moneyless settlements. A third effort was the extension of compulsory labour. On January 29, 1920, a decree was issued to the effect that, in accordance with the constitution and the Labour Code, the whole able-bodied population should periodically perform compulsory labour, and “all persons not engaged in useful occupations, work of public utility.” A central committee was set up for the management of compulsory labour, and this committee had numerous subordinate bodies in different localities.

The Bolsheviks declared that the decree was prompted as much by economic necessity as by desire to bring about socialism. This plea of economic necessity was formulated in the following terms: As the purchasing power of money is so slender and the supply of manufactured goods so scanty, it is impossible to acquire labour on the open market. If the towns are not to disappear altogether, and the whole country to be populated exclusively by peasants, then the speedy restoration of transport and industry is essential. Such a restoration can only be carried out by the compulsory toil of the whole population.

But immediate economic necessity was not the only

consideration that weighed with the Bolsheviks. They were resolutely determined to achieve socialism as speedily as possible, and were convinced of the indispensability of compulsory labour for this purpose.

It was argued that compulsory labour had always existed under the capitalist system, and that therefore it was no innovation. "The bourgeoisie," said Trotsky, "first drove the mujik with a club on to the high road, having robbed him beforehand of his land, and when he refused to work in the factories they branded his forehead with red-hot irons, hanged him or sent him to the galleys, and finally accustomed the broken vagabond from the village to work at the factory bench." Yet Trotsky did not suggest that the knout had been continuously held over the back of the mujik. Certain forms of life, he declared, emerged from the Middle Ages, and these forms the mujik accepted as just and unchangeable. But there were occasions when he revolted, and the coercion which the state then applied to him was in reality compulsory labour.

Speaking generally, without particular regard to Russia, the Bolsheviks urged that the so-called freedom of labour under capitalism was merely "freedom to buy labour, to hire slaves," and that as such it was a "juridical fiction." They also contended that the bourgeoisie had cunningly subdued the workers, and enumerating the measures which had been adopted for this purpose, mentioned manipulation of wages, contracts, and agreements; the encouragement of careerism; the suborning of Trade Union leaders; the inculcation of the illusion that a peaceful organic development of the labour movement was essential, of respect for bourgeois laws, and of irreproachable dutifulness; and the scientific organisation of production, of which the Taylor system was a conspicuous example. At the same time it was conceded that the competition among capitalists had attached a particle of reality to the fiction of labour's freedom; but it was pointed out that because of the increase of

trustification in recent years this competition had been reduced to a minimum. In Russia such trustification had been carried to its logical conclusion, which was state ownership, and thus what remained of competition had been wholly done away with. "The imperialist war and events subsequent to it proved," said Trotsky, "that society cannot any longer exist on the basis of free labour. . . . The principle of labour conscription is radically and irrevocably replacing the principle of hired labour, as the socialisation of the means of production is replacing capitalist property. . . . Man is instinctively lazy. He strives to obtain as much as possible by the least expenditure of effort. . . . If under capitalism economic interest went hand in hand with juridical compulsion, at the back of which stood the power of the state, so also in the soviet state, which is a transitory stage to socialism, a dividing-line cannot be drawn between economic and juridical compulsion. When we say to the joiner Ivanov: 'You will have to go and work at the Sormovo factory; if you refuse, then you'll get no rations,' what is this, economic or juridical compulsion? He cannot go to another factory, because all other factories are in the hands of the state, which will not allow him to transfer. Thus economic pressure merges with the repressive action of the state."

To these ideas a group of Mensheviks took exception; one of their spokesmen, Abrahamovitch, asked, "In what manner does your socialism differ from the slavery of Egypt? By compelling the masses to toil the Pharaohs built the Pyramids."

To this, Trotsky answered that, inasmuch as the Pharaohs were capitalists, whilst the soviet state belonged to the workers, the difference was very great. But in reality the difference was not so great as he imagined. The workers had got rid of the capitalist Pharaohs only to be subjected to socialist Pharaohs.

Along with the extension of compulsory labour was extended the system of rewards and punishments.

Rivalry was deliberately stimulated. Officials were directed to do all in their power to provoke competition between region and region, factory and factory, individual and individual. Additional opportunities were created for inequalities of remuneration. Piece-work was extended, and those who worked the best were paid the most. Instructions were given that as in the past revolutionaries and Red soldiers had been made heroes, so in the future capable workers must be singled out for similar honour.

It was admitted that rivalry could not be dispensed with, no matter how marked the progress towards socialism. At the same time it was predicted that such rivalry would grow more and more disinterested, eventually becoming "purely spiritual." It was also admitted that for some considerable time inequality could not be abolished. Production was insufficient to reward everyone alike; from motives of expediency as well as of justice it was considered undesirable to pay those who worked negligently and lazily as much as those who worked skilfully and well. Punishment as well as reward was prescribed. The IX Congress of the Communist Party, held from March 29 to April 4, 1920, passed a resolution setting forth that "in search of better food conditions or for purposes of speculation a considerable number of workers voluntarily leave their places of employment and migrate from district to district, the result being that production is impaired and the condition of the workers as a class deteriorates. . . . The way to struggle against this movement is to publish the names of those fined for desertion, to form labour detachments of those fined; and finally to intern deserters in concentration camps."

Had the decree of January 29 been put fully into operation, the state would have become the sole employer and distributor of labour, and no one would have been entitled either to employ or to seek employment. Under those circumstances a person unemployed would have

been forced to remain so until such time as the state gave him work. In reality the decree was only applied at intervals, and to sections of the population who were unfortunate enough to be brought within its scope. But there were times when use was made of it on a fairly extensive scale. On these occasions no distinction was drawn between non-manual and manual, or between skilled and unskilled workers. All labour conscripts, regardless of their competence or strength, were required to go wherever they were bidden to go, and to do whatever they were bidden to do. Officials were taken from their customary work and put to tasks for which they were wholly unsuitable. Peasants were taken from their holdings for long periods at what was the busiest season of the year for them, transported great distances, and set to unfamiliar tasks. Not infrequently neither food nor money was forthcoming. Not infrequently also the labour available was but little utilised. The experiment involved the state in heavy losses, how heavy will never be known.

Another equally unremunerative form of compulsory labour made use of at this period was the labour of Red Armies. When these armies were no longer needed at the front they were not demobilised but were reorganised so as to adapt them for their new purposes, and set to work clearing snow from the railways, felling and moving timber, transporting fuel, cutting peat, cultivating fields, and forcibly collecting grain.

All Bolsheviks were agreed upon the necessity for compulsory labour. All were agreed, too, that without it there could be no socialism. But in 1920 some of them began to favour, not merely the conscription, but also the militarisation of labour. Of this group Trotsky was the leader. In March he became Commissar of Ways and Communications, and at once proceeded to put his ideas into practice. The IX Congress of the Communist Party, which assembled at the end of the month, reached the conclusion that the railwaymen's

union was demoralised as a consequence of revolutionary chaos and the withdrawal of its most trustworthy members for service at the front; and recommended that for the purpose of establishing "iron discipline" martial law should be declared on the railways and communists appointed by the Commissariat of Ways and Communications to all chief posts, both in the railway administration and the railwaymen's union. Trotsky, following a precedent to which he attributed the efficiency of the German railways, and which he greatly admired, appointed to these chief posts only men who had undergone military training. As evidence of the dictatorial powers exercised by him, it may be mentioned that he removed from the jurisdiction of the local authorities a number of areas adjacent to the railways and placed them under the control of railway officials. Within a very short space of time he completely abolished workers' control from the sphere of communications and substituted for it a semi-military régime.

After his appointment as controller of railways, Trotsky advocated militarisation of labour even more ardently than he had done before. A political rhetorician, he employed sparkling phraseology to arouse enthusiasm for discipline and drill. Thus he told his hearers that the characteristics of social development found in militarism their "most finished, bevelled, and acute expression," that the harsh internal régime which was inseparable from militarism "brought clearness, form, accuracy, and responsibility to the highest possible standard." His proposal was that compulsory labour, instead of being sporadic and sectional as hitherto, should be continuous and all-embracing, that the whole population, women and men, should be registered and mobilised. For this purpose he suggested that the trade unions should be militarised. "Without labour discipline," he declared, "without the right to order and demand the execution of orders, the trade unions will become mere form without substance. They are necessary for the socialist

state, not for the purpose of fighting for better conditions of labour—this is a task for the social and state organisation as a whole—but to organise the working class for production, to train, discipline, distribute, group and fasten to their posts for definite periods various categories of workers and individual workers, and, hand in hand with the state, arbitrarily to bring the workers within the limits of a single economic plan.”

Trotsky's attitude brought to a head a controversy of old standing concerning the relationship which trade unions should occupy towards the socialist state. This controversy touched the roots of Bolshevism, and was therefore of first importance. For a proper understanding of it some knowledge of the part played by the unions up to 1920 is essential. A person who entered the employment of the state or of a private individual became by reason of such employment a member of a trade union; thus membership was automatic and compulsory.

At the first conference of trade unions held in January 1918 it was agreed that the trade unions should gradually become converted into organs of the socialist state. No sooner had this resolution been passed than it gave rise to fears that the unions might lose their independence, that they might be swallowed by the state, thus ceasing to be of use to the workers. Consequently, at the third conference of the unions a year later (in January 1919) a resolution was adopted to the effect that, whilst the unions should participate in state organs, care should be exercised to see that they did not supplant or become merged in the state. This resolution was based upon the two-fold recognition that the state organisation was imperfect and the administrative competence of the masses not very great.

The policy described in the last-mentioned resolution could not be carried fully into effect. From the beginning the state was all-powerful, and this all-powerfulness was consolidated by the militarism which was engendered

by civil war. The unions looked to the state for money, which was lavishly given and as lavishly spent. Eighty per cent. of their expenditure went upon salaries and administration. For every thousand members of the unions there were a dozen officials; and all the chief posts were filled by communists, who in reality were representatives of the state. Eventually the functions of the unions became narrowed to determination of wages and maintenance of discipline. The part which they played in labour disputes revealed at one and the same time their relationship to the workers and their subservience to the state. In theory the system was proof against disputes. The workers were employ  s of a state which was communist, and could therefore do no wrong to them. The laws affecting labour were just and provided for every conceivable contingency; misunderstandings might arise as to their interpretation, but disputes such as took place under capitalism could not possibly occur. For the purpose of pronouncing upon the interpretation of the law in the event of such misunderstandings, conciliation committees were established by the trade unions. Strikes were forbidden, and whenever they occurred were repressed by the police. In disciplinary matters, through the medium of special tribunals which they created, the unions exercised direct authority over the workers.

As time went on it became impossible to say in which regard the trade unions differed from the state or from the Communist Party. The IX Conference of the Communist Party, held from March 29 to April 4, 1920, attempted to find a basis for the harmonious co-existence of the three. Having declared in favour of the mass mobilisation for compulsory labour service and the appointment of communists to organise and direct detachments of labour conscripts, the Conference asserted that the unions were an arm of the state, not a body independent of it; that antagonism between the two was an absurdity and a deviation from Marxism. It

was next set forth that the unions must be regarded as "schools for communism," but that they would gradually change into "auxiliary organs of the proletarian state"; that, while nominally remaining non-party, they must adhere to the policy of the Communist Party, that each of them must contain a strictly disciplined organised fraction of the Communist Party, and that the regulations of the Central Council of Trade Unions must be obeyed alike by members of the unions and the party; and that such regulations could be repealed by the Central Committee of the Party.

The resolution then defined the active functions of the unions. It explicitly declared that they were not to direct, but only to participate in the direction of industry. Thus they were to be allowed representation on the Supreme Economic Council and its subsidiary bodies; and were also to be given a voice in the appointment of the managers of factories and other enterprises. But it was stipulated that the composition of this management should be determined by selection, and not as hitherto by election, and that competence, skill, and experience should be the basis of selection.

The Conference also recommended that collegiates or boards of management should gradually be done away with, and "one-man management" introduced. The one man was to be either a trade unionist or a specialist; in the first instance a specialist, and in the second instance a trade unionist, was to be the assistant.

By this time most Bolsheviks realised the folly of placing uneducated workers in responsible administrative posts. "No collegiate formed out of persons who don't know their job," remarked Trotsky, "is capable of superseding one man who knows his job. . . . There is nothing worse than a collegiate of ignoramuses, of workers ill prepared to fill positions which demand special knowledge."

In further resolutions the Conference outlined reforms affecting the economic organisation as a whole. With

this organisation was bound up the problems of the trade unions and of bureaucracy generally. The need for reform was acute. The bureaucracy had become preposterous both in respect of numbers and of incapacity. It was estimated that out of every four adults in Petrograd one was an official. The rigidity of the system was such that no life was left in it. Thirty-five thousand waggons and over 300 locomotives, which were in repair, remained unused. Frequently when rolling-stock was available supplies were lacking; or when supplies were available rolling-stock was lacking. Factories closed down and thousands starved as a result not of civil war or revolution, but of sheer incompetence; for often there were deficiencies of indispensable commodities, supplies of which existed, but which could not be moved, although the means of removal were within reach. The IX Conference of the Communist Party recognised that excessive centralisation had led to "monstrous forms of red tape and endless delays"; and set forth the conditions which, in its opinion, had caused these evils. Capitalist trusts, the Conference declared, had been nationalised; and all those enterprises not trustified at the time of the revolution had been combined and also nationalised. But, whereas formerly capitalist trusts had been able to secure all the material which they required from goods markets and all the labour which they required from labour exchanges, soviet trusts had depended for both commodities upon central organisations. The vastness of the country and the chaos prevailing had for the time being rendered this system unworkable.

Thus, according to the Conference, the Bolsheviks, having effected that trustification of industry which Marx had said was an indispensable pre-requisite of socialism, found rigid centralisation to be impracticable. The remedy proposed was a measure of decentralisation. It was decided that enterprises were to secure raw material, transport, and labour from the nearest sources. At the

same time instructions were given that new regional authorities should be created to control local economic conditions, and it was stipulated that whenever possible these authorities should consist of the Labour Army Councils.

Having provided for partial decentralisation, the Conference next recommended that measures should be devised for achieving true socialist centralisation, by which it was explained was meant "the inclusion under a single plan of every sphere of production in every part of the country." It was next resolved that all co-operative organisations without distinction should be rigorously subjected to the soviet state, and that the members of the party should obtain a predominating influence in every branch of the co-operative movement. And, lastly, the Conference approved of a scheme for "the electrification of industry, transport, and agriculture."

The issue of the Party Conference widened divisions which already existed among the leaders and provoked them into an open quarrel. The dispute, which was at first concerned with the functions of the trade unions, soon broadened so as to include all aspects of soviet administration. Trotsky and his adherents persisted with their advocacy of the militarisation of the unions. The unions, of which Tomski was the chief spokesman, accused him of distrusting the workers and of desiring to keep them in tutelage. Syndicalism again raised its head. A group led by Shliapnikov, Chairman of the Metal Workers' Union, urged that the unions should control the whole economic life of the country and that each industry should be managed by the workers composing the union associated with it. A second group, led by Saprnov and Ossinski, whilst advocating that the unions should participate in the control of industry to a greater extent than they had done hitherto, considered that soviet administration was throughout paralysed by "the dead hand of bureaucracy." Summed up, their case was as follows: The five members of the Political Bureau

of the Central Committee of the Communist Party have entirely usurped the powers of this Central Committee, of the Council of Commissars (the soviet equivalent of a Cabinet), and of the Central Executive Committee (the soviet equivalent of a legislature). A despotic régime based upon a privileged few has been created, and freedom of speech is denied to ordinary members of the party.

Lenin took the side of Tomski and the unions, and it was this group that eventually won the day with a policy which in most essential respects was in keeping with the terms of the resolution of the IX Conference of the Party. In the immediate future the unions were neither to absorb the state nor to be absorbed by it; but gradually the way was to be prepared for a merging of the two, the unions participating in all activities of the state and acting as a "school of communism" in which the non-party masses should receive political education.

In essence the issue thus determined was between those who wished the proletariat to dictate and those who wished to dictate over the proletariat. The Bolshevik Khans, of which the second group consisted, triumphed. But the second group was itself divided, the one part desiring that dictatorship should be masked, the other that it should take the undisguised form of militarisation. It was the first which prevailed.

CHAPTER XVI

STATE REGULATION OF AGRICULTURE—ECONOMIC BREAKDOWN—STRIKES AND RISINGS (1920)

WHILST the fate of the proletariat was being decided, that of the peasantry was also in the balance. Largely by reducing the area of cultivation and changing over to crops not subjected to expropriation, the mujik had thwarted the Bolsheviks. In 1920, 200 million poods of grain had been forcibly requisitioned. But that amount was far short of requirements, and it appeared to be certain that in the following year a still smaller quantity would be secured. This scarcity of bread was the dominant problem. Of what avail was it to hasten the repair of locomotives and waggons if there were no cereals to be moved? And of what avail also was it to make elaborate plans for the reconstruction of industry if the proletariat was too enfeebled by hunger to work?

At this time compulsion was much in the air. A decision had already been taken in favour of the mobilisation of the masses for the purposes of forced labour. It was in keeping with such decision that a movement should begin for applying compulsion to the peasantry. This movement originated with an article by Ossinski, Commissar of Food, which appeared in the *Pravda*, the official organ of the Communist Party, early in September 1920. The author urged that compulsion should be applied to the peasantry by stages. In the immediate future they were to be required to pool all their seed-grain, which was then to be divided first between provinces and then between villages, and used for sowing in entirety the area prescribed by the state. Requisition-

ing was to cease; with the exception of seed-grain, the peasantry were to be allowed to dispose of their produce as they willed. Premiums were to be awarded to those who worked the most diligently. Thus it was proposed that Bolshevik policy should be reversed, and that the well-off, and not the poor, should be singled out for reward.

In the succeeding year orders were to be issued to the peasants regarding the kinds of crops to be sown, the manner of fertilising and cultivating the land, and the time for the first and second ploughings.

In the third year, all peasants, together with their implements and horses, were to be mobilised, and sent in detachments to wherever they were needed.

Finally, in the fifth year the state was to control the rotation of crops, all holdings were to become communal, and all ploughing and sowing to be done by communal labour.

The article met with an amazing response. From the moment of its publication it became a topic of conversation among communists, the project which it contained being acclaimed with unrestrained enthusiasm. This demonstration encouraged the Government to formulate a definite scheme for the state regulation of agriculture. It was realised that those who were destined to be masters were more easily persuaded of the necessity of compulsion than those who were doomed to be slaves. With a view, therefore, of gaining a wider measure of support for their plans, the Bolshevik leaders decided to test the feeling of the VIII Conference of Soviets, which met from December 22 to 29, 1920, and which included amongst its members delegates of the peasantry. According to the Constitution, this Conference was "the supreme organ of authority"; but it assembled only once a year to exercise legislative powers or formally to ratify decrees which in the interval had been issued by other governing bodies.

A resolution was submitted to the VIII Conference of

Soviets declaring it to be a public duty incumbent upon the peasants to sow the areas prescribed by the state, and providing that all seed-grain should be delivered to the state for distribution between provinces. The resolution also provided for the setting up of provincial sowing committees, and conferred upon these committees power to issue regulations concerning use of implements and machinery, treatment of livestock, methods of sowing, and improvement of soil.

The proposed legislation was not so frankly drastic as the project of Ossinski's article; but the vagueness of the language in which it was drafted concealed very wide powers. During the debate upon the resolution, Lenin exclaimed: "The peasants are not socialists. Go and tell them that it is impossible for us to continue freezing and dying indefinitely." He then continued: "It is necessary not merely to stimulate but to impose; our chief and foremost task is to step over to state coercion so as to raise agricultural production. But compulsion must be accompanied by persuasion. Only then shall we gain a victory. What matters is not that our progress is slow, but that it should have a mass character. . . . As long as Russia remains a country of small-holders, capitalism has a firmer base than communism. It is important to bear this in mind. Everyone who has carefully observed the situation in the village is aware that we have not uprooted capitalism. We are weaker than capitalism not only in the world, which is frankly capitalist, but in Russia itself."

Lenin concluded by saying that electrification would greatly facilitate the conquest of capitalism and that "Communism is soviet power plus the electrification of the whole country."

Representatives of the peasantry vigorously protested against the resolution. The peasantry, they said, was sick of compulsion, sick of committees; their patience was at an end. One village delegate remarked that the effect of Bolshevism had been to exterminate the poor

by deprivation, not by enrichment, for the state paid them next to nothing for what they produced and at the same time demanded of them fabulous prices for anything which they needed. The majority of the delegates to the Conference were communists, and consequently, despite the opposition of the peasantry, the resolution was passed and thus became law.

Lenin described the country at this time as being on "the edge of the precipice of economic breakdown." Peasant risings occurred; there were clashes between the soldiers and the workers. It was evident that a large section of the proletariat was losing faith in Bolshevism. "Now we are to work under the military whip," said a worker of the Putilov works in Petrograd to Miss Emma Goldman. "Of course we shall have to stay in the shop, or they will punish us as industrial deserters. But how can they get more work out of us? We are suffering hunger and cold. We have no strength to give more." Before the war 40,000 men were employed at the Putilov works. At the time of Miss Goldman's visit less than 5,000 were at work, and of this total 3,000 were officials and clerks.

Miss Goldman next visited the Treugolnik rubber factory. "Passing through various rooms," she wrote, "I saw the women and girls look up in evident dread. It seemed strange in a country where the proletarians were masters . . . the old discipline had been preserved; the employés thought that we were Bolshevik inspectors."

Miss Goldman then went to the Laferin tobacco factory, where she found "at work some pregnant women and girls no older than fourteen. They looked haggard, their chests sunken, black rings under their eyes. Some of them coughed, and the hectic flush of consumption showed on their faces."

Frequently the question was asked: "And the revolution in America?" "It seemed," said Miss Goldman, "to have become a national obsession, this idea of a

near revolution in Europe and America. Everybody in Russia clung to that hope. It was hard to rob those misinformed people of their naïve faith."

In order to arouse enthusiasm for their leadership and to demonstrate their equality with the workers, a number of prominent communists went to work in the factories; but the effect of their action was not such as they had anticipated. The communists lived in hotels, whereas the workers lived in crowded hovels; the communists went to and from their work in motor-cars, whereas the workers trudged both ways on foot; the communists were well-fed and well-dressed, whereas the workers were hungry and in rags. Unaccustomed to manual labour, the communists found the hardships of factory life unbearable; and few of them continued for long at their new calling.

As 1920 came to a close the economic situation took a turn for the worse. Earlier in the year the hope had been expressed by the Bolshevik leaders that it would be possible if not altogether to remove, at least greatly to alleviate the hunger of the towns. This optimism was based upon the circumstance that although the grain reserve was inadequate, it was considerably larger than the accumulations of previous years. But supplies were dissipated at a fast rate. The chief cause of this extravagance was the distribution of extra rations to privileged categories of the population. So acute did the food-shortage become at the beginning of the following year that rations had to be drastically curtailed, and all extra allowances, including even those to the army and navy, done away with. After a while, for the same reason as that which had brought about scarcity of food—lavish expenditure of reserves—fuel-shortage also became acute. As most of the available rolling-stock was required for transport of food to the towns, replenishment was delayed, the result being that the factories of Petrograd ran out of fuel and within the space of a few days were compelled to close down.

As the economic crisis developed, the political crisis became more serious. Ossinski, who but a few months before in the *Pravda*, the official organ of the Communist Party, had advocated compulsion for the peasantry, now urged in the same newspaper that the Constitution should be restored, and that the Central Executive Committee should become the chief legislative authority for the republic as contemplated in that instrument. The writer mentioned what was common knowledge—that in the first instance the Councils of Defence and of Commissars had deposed the Committee, and that in turn these councils had been deposed by the Political Bureau of the Central Committee of the Communist Party.

CHAPTER XVII

KRONSTADT REVOLT—SUBSTITUTION OF TAXATION IN KIND FOR REQUISITIONING OF CROPS—END OF WAR COMMUNISM (1921)

WHILST the Bolshevik leaders were disputing one with another regarding the part which the trade unions should play in the soviet system, the advisability or otherwise of the militarisation of labour, and the assumption of dictatorial powers by the Political Bureau, an event occurred which thrust these controversial subjects into the background. For some time the sailors of Kronstadt, the fortress guarding the mouth of the Neva, had been discontented with the harshness of the régime. When they heard that strikes in Petrograd had been cruelly repressed, they summoned a meeting, which was attended by about 16,000 persons. The despotic character of the system which had been established was reflected in the demands put forward by this assembly. Briefly, these demands were for elections by secret ballot; freedom of speech and of Press for workers and peasants, left socialist parties, and anarchists; freedom of assembly for trade unions and peasant organisations; liberation of workers, peasants, soldiers, sailors, and members of socialist parties held as political prisoners; review of all cases of persons confined in gaols or concentration camps; demobilisation of detachments engaged in the confiscation of produce; retention in factories and workshops of only such armed guards as were deemed necessary by the workers themselves; equalisation of rations; and freedom for the peasantry to do as they wished with their own land.

Denunciation of the sailors as counter-revolutionaries followed. Yet no other section of the population had a revolutionary record so heroic and steadfast as theirs. A little while before, Trotsky, who now undertook the task of suppression, had alluded to them as "the pride and glory of the revolution." The bombardment of Kronstadt began on March 7, 1921; and ten days later, after assaults by forces advancing over the ice, the fortress was taken. Little mercy was shown to the rebels.

After the Kronstadt revolt was extinguished most Bolsheviks hoped to preserve their policy as well as their power. Of the two, power was the most important for them. Although Lenin acquiesced in the crushing of the sailors, he had already come to the conclusion in his own mind that the Bolshevik power was in peril, and that only a drastic modification of policy could save it. Kronstadt was not an isolated episode. The countryside was disturbed from end to end, risings had occurred in the Tambov and Saratov provinces. The attempt to divide the village had clearly failed. Instead of the rich being set against the poor, the peasantry as a whole were set against the population of the towns.

Writing later of this period, Trotsky said:¹ "So much energy was exhausted by the masses during three years of civil war that a deep reaction set in. Among the peasantry this reaction was expressed in uprisings. Discontent penetrated even into the army and navy. Among the workers strikes occurred."

Whilst Kronstadt was being shelled, the X Conference of the Communist Party was in session. To this assembly Lenin delivered a sensational speech, in the course of which he urged the replacement of requisitioning of crops by taxation in kind. The proposal was adopted and forthwith embodied in decrees. Thus State regulation of agriculture and socialisation of agricultural produce came to an end; the Government monopoly of

¹ *La Vérité*, organ of the Communist Opposition, Nos. 66 and 67.

grain was abandoned; and the peasants, after putting by a certain quantity of grain for the payment of taxation, were free again to dispose of the surplus left over.

The Commissariat of Food warned the Conference that the workers had nothing to offer the peasants in return for grain, and that therefore the hunger in the towns would continue. Said one of its representatives: "They have given their last shirt, and only their skin is left to them." But the need for propitiating the peasantry was deemed to be supremely urgent. A mass-rising, with their participation, was dreaded more than the anger of the starving town population was feared. In reality the situation was such that however the Bolsheviks acted this population was condemned to remain hungry. To continue confiscation of crops would cause further shrinkage of cultivated area, and thus of produce available for the towns; on the other hand, whilst the abolition of confiscation might arrest shrinkage of cultivated area, it would not increase, at least in the near future, the produce available for the towns. Freedom of exchange could not secure food for those who had nothing to exchange. Yet there was much to be said in favour of the second course—that is, of the abandonment of expropriation in the sphere of agriculture. It was imperatively necessary to stem the rapid decline of cultivated area which threatened the country with final ruin. So long as agriculture was subjected to restraint there could be no hope of improvement in the food supply of the towns; but once this restraint was removed, the effect upon industrial production would be beneficial, if not immediately, then ultimately, thus one day permitting of an increased exchange of commodities between town and country.

Above all it was essential that a period of tranquillity should be secured. For a long time the soviet power had been at war with the overwhelming majority of the Russian people—the peasantry. And of late indications had been numerous of the passing over to the side of

this majority of the naval and military forces of the republic, a transfer chiefly accounted for by the fact that they were largely recruited from the peasantry. Hence such action was instantly called for as would convert the hostility of the village, if not into an attitude of friendliness, at least into one of neutrality towards the régime. It could only take the form of the relinquishment of confiscation of crops. This was one of the reforms demanded by the Kronstadt sailors, who were being bombarded by communist guns at the moment when its passage into law was about to be sanctioned by the Conference of the Communist Party. The chief offence of these sailors, however, was not that they desired economic change, but that they insisted upon the abolition of party dictatorship and the restoration of soviet democracy.

When introducing the reforms, and subsequent to their acceptance by the Party, Lenin delivered speeches, published pamphlets, and composed various notes. The ideas which he then expressed may be summarised as follows :

“ The peasants are dissatisfied with our treatment of them. They will not tolerate it any longer. They do not want those things for which the worker is striving. The interests of the two do not coincide. Only by coming to an agreement with the peasants can we safeguard the socialist revolution in Russia, until other countries follow our lead. We must give back to the smallholders an incentive to produce. If we do not restore to them a free market we shall be unable to maintain the power of the proletariat. The question as to whether the Russian revolution is a bourgeois or a socialist revolution will be decided in the struggle of the future. At the moment we are actually faced with a counter-revolution on the part of the petty bourgeoisie, the peasantry. All our attention therefore must be concentrated upon the retention of proletarian power. The immediate task is to establish smooth relations between the workers and

peasants. We cannot stop to discuss whether we are advancing towards communism or retreating from it; the issue at stake is the preservation or downfall of communist power. To allow freedom of trade will undoubtedly strengthen the petty bourgeoisie, but it will strengthen still more nationalised industry, in which the proletariat finds its chief source of employment. Alternatively, it may be said that nationalised industry cannot be strengthened without strengthening to some extent the petty bourgeoisie. We must restore freedom of trade to the peasantry in order that the condition of the proletariat who are exhausted may be improved. To do so is merely an act of self-preservation. Let us not forget Kronstadt."

Thus ended the period which came to be known as War Communism, for the reason that an attempt was then made in the midst of war to realise the principles of communism. The Bolsheviks insisted that this attempt failed chiefly because it was made in such circumstances. Lenin, for example, declared: "We committed many mistakes in our policy. But in war conditions this policy was essentially correct. We had no other alternative than to make the maximum use of state monopoly, even to the point of seizing the entire surplus of produce without payment of compensation. We are now faced with such impoverishment, ruin, weariness, and exhaustion, that we must sacrifice everything in order to gain an increase of production."

Lenin, it will be observed, mentioned only one state measure—the confiscation of surplus produce—but the situation would never have become so desperate had it not been for the introduction of numerous state measures, which were deliberately designed to bring about communism, and which had no connection whatsoever with war.

CHAPTER XVIII

THE NEW ECONOMIC POLICY—A RETREAT FROM COMMUNISM—REVIVAL OF BANKING—RETURN OF THE STOCK EXCHANGE—STATE TRUSTS ON A COMMERCIAL BASIS (1921-23)

THE New Economic Policy was a belated recognition of realities, an attempt to save the soviet power. In the midst of appalling chaos of revolution the state had lightly assumed responsibility for the livelihood of the whole of society, but had calamitously failed to carry it out. Consequently, nearly everyone suffered privation. Yet when, in defiance of authority, many sought subsistence for themselves, they were harried by the police. Of those put in prison a large proportion were shot. But the instinct for survival proved stronger than the power of tyranny. As fast as one individual enterprise was suppressed another made its appearance. Lenin was aware that small enterprises kept alive those whom the state was incapable of supporting. He realised that the reversion to a free market could not but accelerate the growth of private capital. Yet no other course was possible; for it was plain that human beings preferred to run the risk of being shot rather than refrain from saving themselves from death by starvation.

Lenin urged that compromise would not imperil the prospects of socialism, and insisted that since the machinery of the state, large industrial enterprises, banks, transport and foreign commerce, were all subjected to proletarian dictatorship no danger need be apprehended of capitalism proving uncontrollable. He even persuaded his colleagues not merely to tolerate limited private enterprise

on the part of soviet subjects, but also to permit foreigners to take up concessions on terms to be rigidly prescribed by the state.

The danger to the régime came chiefly from the millions of small peasant households. Because of the indispensable nature of their produce, these growers of food could starve the proletariat, and thus dictate to the dictatorship. Lenin's fear that a break between the peasantry and the proletariat might one day put an end to the revolution was therefore not groundless. "It is time to admit," he said, "that the peasants refuse any longer to accept proletarian dictatorship. . . . They refuse to sacrifice themselves for the proletarian revolution"; to which he added that the Communist Party had been guilty of a grave blunder in attempting to thwart the most elemental of the peasants' instincts, and that the right to free disposal of surplus grain was "the most necessary incentive to production." Later Stalin confessed that had it not been for the introduction of a free market and a reinvigoration of capitalism, the peasant could not have "continued to exist."

Hitherto, the basis of Bolshevik policy in the village had been class strife; the poor were set against those who were better off than themselves. But Lenin now argued that extreme poverty amongst the peasants had been greatly reduced, and that consequently the middle peasants had become the predominant class. Only by taking such circumstance into account, he said, would it be possible to raise the productivity of agriculture. He then made the discovery that the middle peasants were "diligent farmers," and added: "We must accommodate to their economy the upbuilding of our state economy, for we cannot refashion them in three years nor yet in ten."

What Lenin meant, but could not bring himself to say, was that large numbers of the poor, having passed to the middle category (or class), no longer upheld the Dictatorship of the Proletariat, and that the support or neutralisation of this category could only be secured by relaxing

the dictatorship as far as the village was concerned, to the extent of restoring an unfettered market in agricultural products.

The distinction between poor and middle, and also between middle and well-off (or kulaks), could not have been very marked at this period, for a report of the Commissariat of Agriculture said that income from agriculture was then two-thirds less than the pre-war amount. Amidst poverty so deep any attempt to identify conventional standards of wealth was meaningless. Shades of impoverishment rather than degrees of wealth affords the truest description of the economic gradation of the village at this period.

Lenin's reliance upon the middle peasants—the diligent farmers, as he now called them—reflected a remarkable change of outlook. In his utterances before and during 1917, the year when his party seized power, he had put all his faith in the poorest peasants. It was they, together with the proletariat, he said, who would ensure victory for the revolution. But in the following year, when the condition of agriculture was desperately bad, he spoke of the imperative need for alliance with the middle peasants. And two years later, when introducing his New Policy, he asserted boldly that these middle peasants were the dominating factor in the situation. In other words, the revolution, having made use of poverty for the purpose of destruction, now called upon diligence to save it from the consequences.

According to Lenin, many of the poorer peasants had moved up into the diligent category, and were now middle peasants, with the psychology of middle peasants. He was gratified that the revolution had thus enriched the poorest amongst the peasantry; and was not disturbed at the change of outlook that accompanied this enrichment. He regarded the middle peasants as a hesitant class who would only accept socialism when they had proof of its necessity, but he had no doubt that such proof would be forthcoming. "What will convince them," he declared,

"will be the example and solidarity of the peasant labourers, the union of the peasant labourers with the town proletariat; and here we are counting on a protracted and gradual process of persuasion, on a series of transitional measures drawn up on the basis of an agreement between the proletarian socialist section of the population and the middle peasantry." Evidently Lenin took no account of the fact that, as soon as they entered the ranks of the middle peasants, most poor peasants broke all ties of unity with the town proletariat. Or was it that he thought that their reconversion would follow in the natural order of events when the middle peasantry as a whole became persuaded of the efficacy of socialism? If such was his view, then it must have resulted from a curiously illogical conviction that poor peasants, having been transformed into middle peasants, would be content with their lot, and have no ambition to become kulaks.

What was the relationship of Bolshevik theory to the New Policy? Bolshevik theory, it must be understood, means Lenin's ideas, or, alternatively, his interpretation of Marx's ideas.

Lenin's new policy was radically different from his old policy. The clearest statement of his old policy was contained in "State and Revolution," written in 1917. In this brochure he adopted Marx's definition of socialism as a stage of suppression preparatory to communism. The system to be suppressed was capitalism, in the place of which was to come public ownership of the means of production. All citizens, whether engaged in agriculture or industry, were then to become the employ  s of one state syndicate, the whole of society one office, one factory. Thereafter exploitation would become impossible; but inequality would continue. For equal performance there would be equal payment; but, since needs varied, inequalities must for long persist. Only when these inequalities were finally removed, only when the formula: "From each according to his ability, to

each according to his needs," was realised, would socialism, and with it the state, disappear and communism be established.

Later, when the Bolshevik seizure of power drew near, Lenin expressed himself otherwise. He was now enamoured with the state capitalism practised by the belligerent countries during the war, which he regarded as a marked advance towards socialism. On October 1 he said that the vital matter was not the confiscation of capitalist property, but universal, all-embracing control over the capitalists and their possible supporters. Nineteen days later he declared that state capitalism, even under Kerenski's democratic régime, would be a step towards socialism. No doubt, although he did not say as much, he then thought that state capitalism under proletarian dictatorship would be still more desirable, for shortly afterwards, when the Bolsheviks had assumed power, he endeavoured to persuade the workers who had seized the factories that in order to learn from the capitalists they should apportion one-third of the shares to them. But at this period the delirium of the revolution was at its zenith, and in most instances the workers demanded the ruthless "expropriation of the expropriator"; and the Bolsheviks, whose power depended upon the masses, readily acquiesced.

On May 29, 1918, seven months after the Bolshevik Revolution, Lenin declared that state capitalism under a soviet government would be *almost complete* socialism, and added the following significant words: "Socialism can only be reached by the development of state capitalism, the careful organisation of finance control and discipline amongst the workers. Without these there can be no socialism."

On another occasion Lenin said of the New Policy, as he had said of state capitalism, that it was *almost* socialism. Such an assertion was not without foundation, for, in theory at least, the New Policy was a form of state socialism. In 1917 Lenin's delimitation of socialism

embraced the whole population; in 1921 he considered that the New Policy was *almost* socialism, despite that it allowed the peasantry, who composed four-fifths of the population, and a substantial portion of urban dwellers, who made up the remaining fifth, to remain conditionally unsocialised.

Whilst Lenin declared that state capitalism under a soviet government would be almost complete socialism, he yet confessed that it was a step backward. That he was prepared for further retreat if necessary was evident from the following passage: "Our task, in view of our isolation, is to maintain the revolution, to preserve in it some form of socialism, no matter how weak and limited, while the revolution is maturing in other countries. . . . At the moment when we occupy a firm position in Russia and have not strength for the fight against international imperialism, we have only one task and one policy; it can be termed the policy of tacking, waiting and retreating."

Yet, although the New Policy was a partial surrender to capitalism, it was not, Lenin insisted, inimical to socialism. "Of course we have not yet established a socialist society," he said, "but we have all the means requisite for its establishment." And this conviction he frequently reiterated.

In the beginning Bolshevism ignored the revolutionary theory of Marx and Lenin. It omitted the first phase of revolution, the phase of socialism and suppression, and plunged headlong into the final phase, the phase of communism. The New Policy was a recognition of the need for a first phase. It sought to put the revolution on the path which Lenin had desired it should take some little while after the Bolsheviks seized power, the path of state capitalism controlled by a government calling itself the Dictatorship of the Proletariat. A few years of chaos had convinced him of the need for order and discipline. But whilst he spoke with one voice of this need, with another he blamed the petty bourgeoisie for

the chaos that had arisen. They had supported the revolution at the start, he said, only because they wished to plunder the wealthy. This purpose achieved, they became the enemies of socialism. They could not be annihilated, for they were strong in numbers. But they could be controlled; and state capitalism was the means by which such control could best be effected.

Who were the numerous petty bourgeoisie of whom Lenin spoke, and of whose composition he never gave a clear description? They were small shopkeepers, tradesmen, merchants, and a large category of peasants—how large no one could definitely say. Lenin no doubt would have restricted this peasant category to kulaks, for, as we have seen, he wished to believe that the enemies of the revolution in the village were few, and the friendly-inclined many. It was, in fact, necessary that he should think so, that he might sustain his faith in Bolshevik survival. But in reality he deceived himself. By this time many of the middle peasants had become definitely hostile to the revolution; their one aim in life was to become kulaks, not socialists. They belonged to the petty bourgeoisie whom Lenin had condemned as "selfish, vindictive, and individualistic," and whom he had mistakenly confined to the kulak class.

The New Policy was an abrupt departure from the past, and at once gave relief. But in reality it was evolutionary in character and developed over a period of years. That a whole and compact view of it may be obtained, the remainder of the present chapter will consist chiefly of a summary of the main reforms introduced.

First the requisitioning of grain was replaced by the levying of taxation. Then freedom of trade was restored to private individuals under the licence of the state. At the same time industrial enterprises with not more than twenty employes were returned to their former owners, whilst those with up to a maximum of seventy workers were leased to private individuals. Larger industries remained nationalised.

All services which had hitherto been rendered free were brought to an end, and decrees were issued restoring charges for newspapers, letters, telegrams, railways, trams, electric light, gas, water, and chimney-sweeping.

House property and larger buildings were denationalised to a certain extent. Former owners were allowed to lease for a period of twelve years small houses of a value not exceeding 10,000 rubles (£1000), and the renting or leasing of larger buildings was also permitted. In both instances it was stipulated that thorough renovation should be effected. During the revolution all property had fallen into great dilapidation. The state was too poor to undertake repairs, and consequently now desired to find individuals who would discharge this task. But individuals also were poor, and few could afford to accept the conditions laid down. The predicament of the state was humiliating. Having a little while before abolished private ownership, it was compelled to beg the old landlords to reassume their rights, or, alternatively, to search for others who would be willing to become landlords.

The New Policy necessitated administrative readjustments. Up to the present the Communist Party had determined the policy of the state; and in turn the Political Bureau (a sub-committee of the Central Committee of the party) determined the policy of the Communist Party. In a word, the Political Bureau was the supreme organ of the dictatorship.

Effect was given to the will of the Political Bureau through a state mechanism of vast proportion and complicated design. Nominally, all power reposed with the Congress of Soviets, which met annually. But, as has been said, the party controlled the state and all the organs of the state; and the state had little or no influence upon the party whose creature it was. Although the subject is one outside the scope of the present work, it may be said that impartial students of Russian conditions know well how this relationship came to be established.

The Congress of Soviets delegated its duties to a Central Executive Committee, which, in turn, elected a Præsidium. The Committee defined the activities of the Council of Commissars, a body composed of the commissars of each department. Both the Committee and the Council had power to issue decrees relating to all matters, but, in addition, the Committee could revoke the decrees of the Council. Actually economic organisation was controlled by the Council of Labour and Defence, which emerged in 1920 from the Revolutionary Council of Defence. The chairman of this body was the chairman of the Council of Commissars, and the members consisted of the commissars of appropriate departments. It was laid down that the duties of the Council should be as follows: to co-ordinate and develop the activities of all departments of state in the interests of the country and of economic reconstruction.

To the Supreme Economic Council, composed of officials, specialists and trades union representatives, was entrusted the regulation and management of industry. For most of the authorities named there were corresponding authorities in each of the republics of the union, and all authorities, both central and regional, acted through boards, and from time to time appointed commissions for specific purposes. It will thus be seen that the abolition of communism did not diminish, but rather expanded, the scope of bureaucratic administration.

Under the New Policy the mechanism described was retained with certain modifications. Large industries were divided into three groups: (1) industries of the whole Union; (2) industries of the various republics; (3) local industries. The first group comprised two-thirds of nationalised industry, and was placed under the control of the Supreme Economic Council. The second group was controlled by councils in the several republics, and the third by local councils.

The actual management of the industries was delegated to trusts, of which 486 were created, twenty-eight being

designated combines. These 486 trusts controlled 3500 enterprises and employed 72 per cent. of all persons engaged in industry; forty-one employed an average of 12,500 workers each; many of the remainder were quite small. Each trust had a Council of Administration consisting of business men, specialists and communists, whose functions corresponded with those of a Board of Directors. The remuneration of these members averaged £5 monthly, but communists received half and specialists double that amount. Sometimes former owners served on councils charged with the management of properties that once belonged to them, sometimes on these councils were simple workmen.

Powers were defined by decree, the first article of which declared that trusts were "state industrial undertakings authorised by the government to carry out their operations independently, in accordance with a special charter granted to each, and working on a commercial basis with the aim of acquiring profits." In this clause was contained the essence of the New Policy—the freeing of industry and the state of the burdens imposed by the one on the other, thus restoring to both a measure of economic responsibility.

Initial capital came from the state in the form of plant and buildings, most of which had fallen into dilapidation as a consequence of the war and communism, but mainly communism. As for working capital, none was available, for money had depreciated nearly to worthlessness. All that the government could do, therefore, was to hand over to the trusts the scanty stocks of the enterprises which it entrusted to their care.

It was further decreed that the trusts should yearly submit to the Supreme Economic Council detailed plans of their contemplated activities. Within the limits of such plans they were at liberty to dispose of their resources as they willed. The state accepted no responsibility for their debts, and they were not at liberty to pledge fixed capital (*i.e.* plant, buildings and all immovable property)

as security for loans. Balance sheets were to be presented annually to the Supreme Economic Council, and profits were divisible as follows: 50 per cent. to the state; 25 per cent. to the reserve funds, and 25 per cent. to the betterment of the conditions of the employés, 3 per cent. of which was to be shared amongst the employés, the higher grades receiving the most. But at the same time the state reserved to itself the right of taking the whole of the net profits.

Although the trusts were independent economic units, in reality they were agents of the government. In disposing of their goods government orders were to be given precedence. Next orders from other trusts were to be fulfilled; and lastly private traders were to be considered.

Later, in order to lessen competition between the trusts, to centralise management and production and so reduce expenses, syndicates were formed, the functions of which were defined as follows: investigation of markets; distribution of orders amongst trusts in accordance with their producing capacity; fixing conditions for the sale of commodities and regulating prices in consultation with other economic authorities; bulk purchase and distribution of raw materials; grading and standardising goods. Summed up, the purpose of the syndicates was to render the state monopoly of manufactured goods as effective as possible. A number of them opened large retail shops, and entered into direct relations with the consuming public.

The driving force of the New Policy was to be competition between state enterprise and private enterprise, the one no less than the other battling for its existence in the open market. Lenin had no doubt as to which would win. He reasoned thus: The wits of the state traders will be sharpened in rivalry with the private traders. Eventually they will learn how to trade, and state enterprise will triumph completely.

The immediate problem that the state trusts were called

upon to solve was the economic renovation of a society thrown from the twentieth century into the Middle Ages and catastrophically ruined. All normal channels of distribution, all mechanism of supply and demand, all sources of credit and means of contact had vanished. No trace of a market remained. The customary spots whereon for centuries men had bought and sold were deserted; all the intricate relationships which had enabled them to bargain and exchange were shattered.

The foundation of the New Policy was credit and economic calculation. But in the beginning neither was attainable. The ruble was still depreciating furiously; it was profitless to lend and purposeless to save. Figures were no sooner set down than values plunged; consequently guesswork continued in place of calculation; and error grew out of error until confusion became monstrously grotesque. The trusts which had been created for the purpose of restoring the rule of the balance sheet found themselves helpless in face of the anarchy wrought by the perishing ruble. The only hope lay in the revival of banking as a preliminary to the revival of money.

Of all forms of bourgeois activity banking had been regarded as the most odious; hence its suppression in the earlier days of the revolution. But after a year or two of communism the Bolsheviks shed one illusion after another. In 1921 the State Bank was re-established as a credit institution. With a capital of a million and a half pounds, all the cash available at the moment, it had to face the task of creating stable assets at a time when almost everything was unstable. No means of achieving this purpose were possible other than the financing of export operations—that is, profitable foreign trade, and the granting of loans redeemable in gold.

A year later, in 1922, the State Bank was empowered to issue notes, the unit of which, known as the chervonets, was declared to be equal in value to ten gold rubles (£1). It was required by law that not less than 25 per cent. of

these notes should be covered by precious metals or stable foreign currencies. For the remaining 75 per cent. a cover of short-term bills was considered sufficient. The old soviet notes continued to be issued. Thus for a period two currencies existed alongside one another; but eventually the superiority of the chervonets came to be recognised. Sensible people preferred a currency which had backing to one that was rapidly degenerating into waste paper.

Trade bourses or exchanges were established. Private enterprises were admitted to membership but they constituted only a small minority. Of the trade turnover of the bourses, seventy per cent. was transacted by state and co-operative enterprises. Later in Moscow and other large centres stock branches were organised. These branches, which were rigorously controlled by the authorities, dealt chiefly in Government bonds and foreign currencies. The re-birth of the Stock Exchange was one of the most striking indications of a return to a semi-bourgeois régime.

The New Policy involved no relaxation of the state monopoly of foreign trade. In practice such monopoly was absolute. Licences for import and export were sometimes granted to private traders, but all stages of the transactions were rigidly supervised by the state, and rigid measures were taken to ensure that private traders should not get the better of state enterprise.

The system of import duties was retained and elaborated. It might have been supposed that since the government controlled all foreign trade such duties were superfluous. But the primary purpose of the state trusts was to make profits. Hence they were constantly exposed to a temptation to import foreign goods. It was considered that the tariff acted as a deterrent to imports and an incentive to home manufacture. In other words, it was regarded as a shield and a simplifier of the foreign trade monopoly; and at the same time a potent instrument for bargaining with foreign countries.

The essence of the New Policy was planning. Planning, too, had been the essence of communism. But the Bolsheviks pleaded that it had then been frustrated by civil war and blockade; certainly these events accentuated the chaos of those days which arose from the policy of confiscation and equalisation.

The Supreme Economic Council was responsible for the control of the trusts, and of industry generally. It possessed its own boards, whose function was to plan and direct the activities of each separate industry. But the planning of national economy as a whole, the co-ordination of schemes of development and their submission to a common purpose, were entrusted to a department called the Gosplan or State Planning Department. This Department planned both for the coming year and for years ahead. Although not executive, its authority was great. No legislation was promulgated, no serious measure taken without its counsel being sought. Governed by a Board, composed of sixteen members appointed by the Council of Commissars, its personnel ultimately came to number 500, and included economists, statisticians and technicians. Local Planning Departments were also set up.

The central institution based its plans upon information supplied by thousands of correspondents scattered up and down the country. Amongst these thousands competent investigators were few; the educated class, always a small minority in Russia, had greatly diminished under Bolshevism. Much of the information placed at the disposal of the central department was therefore unreliable; hence not infrequently planning deepened confusion or was wholly ineffectual, never getting beyond the stage of a theoretical exercise. Yet from the beginning the State Planning Department was regarded as a supremely important institution; it was said that its success or failure meant the success or failure of Bolshevism. The Bolsheviks claimed that whereas disorder was inherent in capitalism, order was inherent in socialism. The text-

book¹ of Communism said: "Under capitalism the production and distribution of goods are quite unorganised; anarchy of production prevails. . . . Often commodities are produced in excessive quantities. There is no sale for them. . . . Thereupon a crisis ensues."

The New Policy had drastic effects upon the trade unions. Membership of these bodies was no longer compulsory; consequently within a year it declined by half. The functions of the unions also underwent change. They were relieved of much of their responsibility for industrial management, but were allowed to appoint a restricted number of representatives to various economic authorities. Under communism they had been wholly supported by the state. This support was now withdrawn from them, and they were required to pay their way. Deprived of subsidies, they incurred heavy deficits, and were soon forced to curtail their political and educational activities.

In 1922, when the Code of Labour Laws was revised, compulsory labour was formally abolished. At the same time it was laid down that all citizens should be liable to undertake work of state importance and work rendered necessary by disaster resulting from extreme climatic conditions. Further, compulsory work was retained as a punishment for offences against the law. In Soviet Russia the scope of such offences was so wide as to include the expression of any opinion or the committal of any act against the interests of the ruling power. Large numbers of persons, including many socialists and liberals as well as workers and peasants, had been banished by the Courts to remote regions where, either individually or grouped together in concentration camps, they were set to forced labour under atrocious conditions.

The revised Code of Labour Laws which was published a year after the introduction of the New Policy provided for the compulsory settlement of all labour disputes. A little later labour exchanges were revived. Both

¹ "The A. B. C. of Communism," by N. Buharin and E. Preobrajenski.

employers and employés were compelled to make use of these establishments; thus the state had a monopoly of the disposal of labour. The whole system of labour exchanges was badly organised. Most of the managers were uneducated and they freely gave work to thousands of people who had no qualifications whatsoever for the tasks which they undertook. In 1923 employers were allowed within limits to select and engage their own men.

Lastly, following upon the introduction of the New Policy social insurance replaced state relief. The scope of this insurance was wide. It was intended to provide for benefits during unemployment, ill-health, and incapacity for work, either temporary or permanent; for grants to pay the expenses of funerals and of nursing infants; and for compensation to families for the death or disappearance of the breadwinner. Only employers contributed to the Fund. By January of 1923 more than two-thirds of the amount due had not been forthcoming. State undertakings were the chief defaulters. Few benefits were paid, and on that account expenditure was negligible.

Such was the New Policy as it developed over several years. In this way fantasy was abandoned, and capitulation made to realism. The measure of capitulation was restoration of the rights of private property. It is true that the limits of these rights were rigorously prescribed; but it must not be forgotten that Marx said in the Communist Manifesto that "the theory of communism may be summed up in a single sentence: abolition of private property." The New Policy was therefore a break with communism.

Although the Bolsheviks changed their methods, they adhered steadfastly to their aim. Forced to abandon communism, they yet resolved to go back to it in the future. For the New Policy was deliberately designed to prepare the way for a new communism which, unlike the frenzied adventure of the past, should be sober,

scientific and real. Although it was not anticipated that the passage from the one to the other would be smooth, the Bolsheviks had no conception of the perils that awaited them. Lenin had said that the New Policy amounted *almost* to socialism. Naturally, his followers who believed that socialism was order in contrast to capitalism, which was anarchy, imagined that a régime approximating to socialism must of necessity be efficient and progressive. Experience proved otherwise; the New Policy averted a crash, but it did not do away with crises. From the moment of its inception crises of varying intensity recurred in Russia. Not one of the maladjustments characteristic of capitalism was avoided. Disastrous over-production and under-production were experienced; unemployment was chronic and colossal; wretchedness continued.

Yet the immediate effect of the New Policy was magical. Despair gave way to hope. Everything that the Bolsheviks had condemned suddenly returned—profits, rents, commissions. From the moment when men were allowed to trade again, activity replaced stagnation. Trade, hitherto a crime punishable by death, was now openly practised. Everyone was seized with a passion for money-making. The life of the streets revived. Shutters were taken down, shops reopened. Articles that had escaped confiscation were brought from hiding-places and offered for sale. Few new goods were exhibited. No attempt at orderliness or specialisation was made. Loaves of bread and fragments of food were displayed among litter containing objects of art, soiled apparel and intimate possessions. All day long crowds thronged the pavements and fixed their gaze upon shop windows, which during the long period of communism had become a dim memory. As a whole the scene was still gloomy: thoroughfares lined with shabby shopfronts and pitted with holes filled with rain water. On all sides were evidences of scantiness and squalor. But the Russians saw only the contrast of the present with the

past, and rejoiced in their liberty to buy and sell again. At least survival was not forbidden, though the means of surviving were almost as hard to procure as they had been before.

In reality the situation was not greatly relieved. So terrific was the momentum of catastrophe that for long it was impossible to stem it. The trusts began, as we have seen, almost from nothing; disposal of inherited stock could alone furnish the means requisite for their establishment. No serious credit facilities existed. The State Bank, which had been founded for the purpose of providing these facilities, itself had to struggle hard for existence. Its capital was small, and it was compelled to charge usurious rates of interest. Repayment being required on a gold basis, the losses incurred by currency depreciation were thus shifted to industry. Faced with imperative necessity to sell stocks on hand in order to endure, the trusts found themselves thwarted at every turn by the total absence of normal trading relations. Yet a start had to be made somehow with the task of rebuilding foundations which had been so lightly destroyed; this was the period of recantation—recantation without remorse.

The trusts hastily devised their own facilities for getting into touch with customers. They opened shops and booths, sent out travellers and hawkers. Without the middleman, whom the Bolsheviks had swept away as a parasitical superfluity, wide distribution of goods was impossible. For a long while barter endured, and competition which the Bolsheviks had dreamt of abolishing became keener than ever.

CHAPTER XIX

DEATH OF MONEY—SEARCH FOR A STABLE MEASURE OF VALUE—THE GOODS RUBLE VERSUS THE GOLD RUBLE (1921-22)

IN order to appreciate the drastic changes involved in the New Policy, there must be realisation of the depths to which the nation had sunk. Not uncommonly the Russian literature, which was largely a literature of discontent, expressed a desire that one day only a naked man should be left upon the naked earth. In 1921 such expression was much less extravagant than when it was uttered. For in that year the death of money took place, and the demolition of the economic edifice was completed. Of this edifice hardly a trace was left; the space on which it had stood was barren, awaiting the growth of new administrative forms.

Up till 1921 the Bolsheviks strove desperately to destroy money. Then, with the introduction of the New Policy, they wished not less desperately that it should live. But already its condition was critical, and nothing could be done to save it.

The approach of the end caused much human suffering and was foretold by signs. Together with money, production was dying. As notes became more redundant, commodities became more scarce; ever-increasing quantities of the one were required for the acquisition of the other, until finally the breath of value passed away, and nothing but waste paper remained. When the end came, notes were being printed in various towns, and nearly 14,000 men were engaged upon this task. In thirty-two months the currency increased one hundred-

fold, prices eight thousand-fold. By the first half of 1921 the real value of monthly emissions amounted to only several million gold rubles. A time had come when as fast as notes left the press they became worthless, when their value was less than the cost of their printing. It was then that money perished, for it was of no avail to issue it. The climax had little effect upon the situation. The monetary system had long been in high fever; all the damage that could be done had been done.

In 1921 the Bolsheviks began laboriously to build anew that which they had so lightly destroyed. Confiscation was the basis of communism, taxation of capitalism. The New Policy was foreshadowed from the moment when taxation replaced confiscation. Alone this measure could achieve little; that it might become effective other measures were necessary. From now onwards one concession followed another, leading ultimately to the creation of a system which, if it was not capitalism, had yet much in common with capitalism. Wholly controlled by events, once they had relaid the foundations of capitalism, the Bolsheviks were driven to erect an imitation of the capitalist structure.

Relinquishment of confiscation was equivalent to recognition of the rights of private property. It meant that the peasants could dispose of their produce as they wished, that they could offer it for sale on the open market. At first the government imposed restrictions upon this market. But later they gave way under pressure, and a market in the full sense of the term was established. Again production and distribution were submitted to the law of exchange, again price ruled transaction. During War Communism attempts had been made to define prices in moneyless terms, to exchange goods for goods, receipts for receipts. But the consequence was only to intensify confusion, and soon after the introduction of the New Policy the practice was abandoned. Thus, in triumph money re-ascended its throne.

Permission to save had next to be given, a habit hitherto deemed a crime. The first to be accorded this permission was the co-operative organisation. By a formal decree of the Council of Commissars it was allowed to retain in its cashbox a sum not exceeding ten million rubles, then the equivalent of two hundred gold rubles (£20). Afterwards private individuals and certain state institutions were empowered to put by small amounts. A little later it was decreed that money deposited on account and for the purposes of calculation or transference should no longer be liable to confiscation.

Between August and October a whole series of fresh decrees was issued, widening the scope of the market, and conferring independence upon state enterprise. Permission was granted to the trusts to purchase produce from peasants and kustari, then to build up reserves of produce, including raw materials. With a view to restricting the use of money, these trusts were required to apply for whatever they needed to state undertakings, at whose disposal had been placed all reserves accumulated by means of expropriation. Only in the event of these undertakings being unable to satisfy the demands made upon them could resort be had to the market. In practice the procedure gave meagre results, and it soon became merely formal. Before many months elapsed most state enterprises had passed to a monetary system of accounting. Towards the end of October the greatest concession of all was granted to them: they were then allowed to become sellers on the market. Thus communism was finally liquidated, and the economic independence of the trusts definitely asserted.

With the introduction of the New Policy the state only too willingly relinquished its responsibility for the support of the whole population. Thenceforth the duty devolved upon the trusts of employing the working masses, and of raising wages to subsistence level. Yet concurrently it was required of them that they should meet their expenditure from the disposal of their produce on the

open market. They employed as many people as they could; but wages remained miserably low, and millions stood idle.

As has always been usual in periods of currency inflation, wages failed to rise as rapidly as did prices. In 1919 the average wage of a worker in Soviet Russia was about seven shillings monthly, in 1920 eight shillings monthly, and in 1921 twelve shillings monthly, or about one-third of the pre-war average. Rykov himself had said at one time,¹ "The idea that one can ensure real wages not by extending the supply of foodstuffs on the market, but by enlarging the circulation of paper money is wrong and harmful. . . . The plan of feeding the workers with currency notes instead of with bread can lead to nothing but a fresh rise of prices and an increase in the cost of production."

For a long while state enterprises continued to be a burden upon the budget, the government supplying them with both funds and materials. The principle of payment for goods and services having been established, measures were contemplated for devaluing and stabilising the ruble, and for securing funds for the maintenance of the state. The treasury was unable to form estimates of expenditure that came anywhere near the mark. All the established bases, all the familiar forms of computation had lost their meaning. The mechanism of taxation no longer existed. There were no objects of wealth, other than natural goods, that could be taxed. In order to survive, therefore, the state took toll of produce, of salt, sugar and grain, helping itself indiscriminately to the resources of its own enterprises and its own citizens, and having but a shadowy conception of the values that thus came into its hands.

The Bolsheviks had been forced to recognise the need for money. But that was not enough. Money in soviet conditions was a shaky foundation upon which to build. A figure became a falsification from the instant when it

¹ At the meeting of the Supreme Economic Council, 1918.

was set down. Calculation continued to be out of the question. Neither wages nor prices were reasonably determinable. Budget-making was impossible. Economics were replaced by speculation.

Instead of getting rid of goods for cash, the trusts hastened to get rid of cash for goods. But they held on to the goods which they already possessed until they were assured that they would secure other goods in return. If primitive bartering was not to spread, then a stable value of measure was indispensable. This value could not be created from nothing. In Tsarist times the gold ruble was a token of stability, but along with many other things it vanished during the war; and there was little hope of its rediscovery and return. On the other hand, it was not inconceivable that a quest for it might lead, if not to the finding of the original, at least to the finding of an equivalent. With the golden ruble as their star, soviet experts made up their minds to set out upon this quest.

In 1922 the government decided to attempt the construction of a budget in pre-war rubles. In October of 1921 average prices throughout Russia were sixty-thousand-fold in excess of those of 1913; in other words, the purchasing power of the ruble had fallen sixty thousand times. Thereupon the government resolved upon 60,000 as an index number of goods prices. It thus became possible roughly to determine the average price of any commodity or service in terms of pre-war rubles. All that needed to be done was to divide such price as expressed in soviet rubles by the index number. The rate of exchange was declared monthly by the Commissariat of Finance as follows: November 1921, 60,000; December 80,000; January 1922, 100,000; February 150,000; March 200,000.

The attempt to compose a budget in values comparable with those of 1913 necessitated that other spheres of activity should adopt the same practice. Although, as has been said, this practice was imperfect, at least it

enabled profit and price to be appraised with some approximation to reasonability. Yet for a long while confusion continued, and at one time was so bad that state institutions were directed to return to accounting in soviet money. Many of them ignored this instruction, and gradually the new system spread.

In April 1922 the State Bank took over the task of declaring the rate of exchange. Thereafter the rates announced were those at which the bank bought gold. In August a special inter-departmental commission was appointed for fixing rates of exchange for the gold ruble and foreign currencies and it was stipulated that both rates should coincide. Thus slowly Soviet Russia began to feel her way back to economic association with the capitalist nations.

The circumstance that, while some institutions calculated in goods rubles, other adhered to calculation in soviet rubles was the cause of much friction. The need was acutely felt for a stable measure of value which should receive general recognition in determining wages. State enterprises met with difficulty when calculating cost of production, in which wages was a large item. The fuel industry, for instance, estimated this cost, as regards its chief commodity, wood, in terms of the market prices of poods of rye; other industries adhered to the gold ruble, others, again, to 1917 prices. In no case was the sum arrived at accurate.

In the time of War Communism money was of secondary importance to the proletariat, for wages were then paid chiefly in kind and moneyless accounting was practised. With the introduction of the New Policy the system of money was revived. In order that it should be possible to compare existing wage rates with those of pre-war days and that the workers should be safeguarded against losses caused by failure to increase their wages sufficiently to compensate for monetary depreciation, various indices were constructed to show the extent by which prices had risen and the purchasing power of

money had fallen since 1913, but owing to the lack of uniformity in the methods used considerable confusion resulted. The fifth All-Russian Conference of Trade Unions, which was held from the 17th to the 22nd of September 1922, decided that in future all wages should be determined according to index numbers of the Labour Statistical Department, calculated separately for each region. After numerous investigations had been made the following method was adopted: a monthly budget composed of quantities of twenty-four commodities was accepted as representative of the minimum requirements of an adult worker.¹ The total price of these commodities in soviet rubles on any particular date was divided by their total price in pre-war rubles of 1913; thus an index number was obtained by which it was possible to determine how many times the level of prices had increased and the purchasing power of money had fallen since the war or, in other words, to establish the current values of goods in 1913 rubles. The price of any particular commodity as expressed in soviet rubles was divided by the index number, and the quotient was the equivalent price expressed in pre-war rubles.

Because prevailing prices in soviet rubles were translated into pre-war rubles by means of index numbers these pre-war rubles were referred to as index rubles. Later they became known as "goods rubles." After a while it was found that a fairly true account could be kept of costs of production as these varied from day to day, and the practice of expressing the prices of particular commodities in goods or "real" rubles became widespread.

¹ The minimum monthly budget was as follows: rye flour 40 lbs., wheat flour 20 lbs., groats 7.5 lbs., potatoes 40 lbs., cabbage 9 lbs., beet-root 4.5 lbs., onions 1 lb., meat 7.5 lbs., butter 1 lb., eggs $\frac{1}{2}$ doz., vegetable oil 1 lb., milk 2 bottles (each of 1.25 litres), herrings $1\frac{1}{2}$ lbs., sugar 2 lbs., salt 2 lbs., boots 0.06 pair, calico 2 arshins, cotton cloth 0.6 arshin, woollens 0.1 arshin, oil 6 lbs., soap 0.7 lb., tobacco 0.2 lb., matches 2 boxes, and wood 0.015 cubic sarhew. The cost of this budget in Moscow in 1922 was 10 rubles and in 97 other towns 7 rubles 40 kopecks.

At this period a controversy arose as to whether the goods ruble should be retained or replaced by a gold ruble. The goods ruble was sometimes referred to as a gold ruble; and in a belated sense it was a gold ruble, for its purchasing power was on the whole equal to the purchasing power of the gold ruble of 1913. But since 1913 much had happened. The purchasing power of gold had changed.

In Tsarist times the gold ruble was a ruble made from gold and put into circulation. It was out of the question to think of a restoration of this coin. But it was not unreasonable to contemplate the creation of a ruble, the purchasing power of which should be that of gold in post-war times, and which should remain stable in relation to foreign currencies based on gold, as, for example, the pound and dollar.

Two opposing camps formed. Whereas the State Planning Department and the Supreme Economic Council favoured the goods ruble, the Commissariat of Finance and other state financial institutions stood for the gold ruble.

The opponents of the goods ruble declared that the index merely indicated prices in the past, and that this index was not and could not be revised with sufficient frequency as to reflect the degree of devaluation requisite at the moment. Alluding to the fact that the goods ruble was a device used by some, not by all, emphasis was laid upon the unavailability of confusion. The chief point urged in favour of the gold ruble was its indispensability for economic relations with the world.

In reply, the supporters of the goods ruble spoke of its simplicity; if, for example, they urged, the prices of a number of representative commodities for a base year were equated to "one" and the index number went up one-hundred-fold, it meant that prices had risen and money depreciated one-hundred-fold. Thus the number changed smoothly as inflation grew. As for gold, it was said that because it lacked an organised interior market,

and Russia's economic relations with the rest of the world were weak, its price fluctuated violently. Such fluctuability was induced by speculation. Hence the changes in the price of gold did not coincide with those in the purchasing power of the ruble as expressed in commodity prices, and gold could not provide a stable measure of value.

Whilst the experts debated the claims of the goods ruble and the gold ruble, need was creating a measure of value for itself. Despite the vigorous search for gold which took place during communism, a considerable quantity still remained concealed in the country. Gold coins of the Tsarist régime now began to creep back into circulation. At first they were confined to outlying regions, then they spread to the centre. State enterprises as well as private individuals made use of them; one state enterprise in Moscow even paid its workers in gold coin. Foreign currencies also began to circulate.

It was believed that there was a sufficiency of metal money of the old régime still left in the hands of the population to satisfy the currency demand of a large part of the trade turnover, and that a considerable portion of this metal money consisted of gold coin. Consequently fear was felt that unless the soviet state created its gold ruble it would be undermined by the gold ruble of the past. Thus in the end the victory went to gold; all that the Bolsheviks could do was to register this victory in the not-too-pure form of the chervonets, which was issued in 1922.

Having been forced to acknowledge the power of money, the Bolsheviks were now driven to acknowledge the power of gold. A few years before they had been confident that money was superfluous, that a world revolution would soon occur and that other countries would be compelled to model their systems upon the triumphant soviet system. But it was the reverse that happened: the revolutionaries had to adjust their currency system to that of the rest of the world.

The goods ruble struggled tenaciously for its existence. Long after the chervonets had been introduced it remained in use to a considerable extent; and the last of it was not seen until 1924. As was to be expected, the plan to construct a budget for 1922 in rubles of pre-war value failed. The period covered was nine months, from January to September, and of the revenue four-fifths still consisted of receipts in kind. No reliable data on which to base estimates of expenditure existed. A total was fixed largely by guess-work, and allocations were made to each department on the bases of pre-war requirements. The estimates were revised a number of times, but soviet experts confessed that the budget which emerged was no more than "a theoretical attempt more or less in harmony with reality." The deficit, which amounted to 83·1 per cent. of the expenditure, was partially covered by depletion of the gold reserve.

CHAPTER XX

THE GREAT FAMINE—THE CAUSES OF THE CALAMITY— CANNIBALISM (1921)

THE year 1921 was the first year of the New Policy. It was also the year of famine. Already in 1920 signs of calamity were visible. During communism hunger had been chiefly the scourge of the towns; the country did not suffer from it to anything like the same extent. Early in 1920 Lenin said: "We have now existed for two years. What does this signify? At present it signifies extreme starvation for the worker . . . whilst the peasant has far more than he ever had under the Tsarist régime." By now, the area of arable land had diminished to half, the income from agriculture generally to one-third of pre-war totals. At the same time the income of industry had fallen to one-fifth of the pre-war total. It was much lower than the income of agriculture. As Lenin said, the peasant lived better than the worker. When these words were spoken, agriculture, though enfeebled, was yet capable of providing a bare sufficiency of food for the whole population. That hunger prevailed was due to the breakdown of the economic system, and particularly of its distributive mechanism.

Lenin's utterance had no sooner passed from memory than sinister portents appeared. As early as the beginning of Spring, discerning peasants prophesied drought. When sowing-time arrived the ground was caked and cracked. Little rain fell; and crops ripened prematurely. Autumn, too, was dry; and again sowing had to be done on hard ground. The peasants were filled with apprehension of impending calamity, and

they wisely determined to hold on to reserves of grain, lest they should be short of seed. The Bolsheviks, most of whom were half-educated townsmen, wholly misunderstood the motive for this resolve. They had but little realisation of the connection between climate and crops, and were altogether ignorant of the countryside. They thought that the peasants were attempting to deceive them, and that they were keeping back grain for no other purpose than to avoid requisitioning. Thus they considered themselves justified in imposing their will upon the village with undisguised brutishness. Town workers of the lowest grades were assembled in bands and despatched to the countryside with instructions to lay hands on all the food that they could find. Searches were conducted with violent energy. In numerous instances supplies were confiscated to the last particle of produce. Peasants found to be concealing grain were mercilessly flogged.

Towards the end of 1920 masses began to abandon villages, and hordes of desperate men raided seed-barns belonging to the state. But neither occurrence caused the Bolsheviks to pause in their ruthlessness. They knew that only by satisfying the hunger of the proletariat could they ensure their own power. Therefore they had but one obsession: to procure bread for the towns.

The snowfall of early 1921 was light. In Spring rain sprinkled in drops. Calamity came swiftly nearer; scarcity grew until at last stark famine appeared. Of this horror the Bolsheviks had long been forewarned. But they were powerless to do much in mitigation of it, and the little that they might have done was left undone.

Early in the Summer the peasants began to mix grain with wood, straw and bark, that they might have bulk enough to satisfy their appetites; and all trains, boats and roads were crowded with masses fleeing from the barren earth. None knew whither to go. All frantically desired to put death behind them, all shared a common hope of finding an oasis wherein to settle. The centre

of the region of famine was the Volga. From the banks of this great river columns of ragged migrants, swollen from hunger, spread out in all directions. As they moved the famine overtook them, and before long it enveloped them on all sides. Swiftly it crossed 850 miles of steppe from Viatka in the north to Astrakhan in the south, and 250 miles from Penza in the east to Ufa in the west. Then it crept still further eastward over the Urals, a little way into Asia; and still further southward to the Ukrainian provinces bordering on the Black Sea.

Famine was not a new experience for Russia. Records of its occurrence went back nine hundred years. But its visitation on this occasion assumed unexampled frightfulness, for it coincided with the chaos of war and revolution; and dealt a blow at the hopes to which modifications in communist policy had recently given rise. Much controversy arose over responsibility for the disaster. The Bolsheviks primarily attributed the famine to the wrong done to the peasantry by the old régime. They pointed out that since the Emancipation the allotment of land for each individual had shrunk three-fold; and that at the time of the revolution the majority of households had less land than was essential for their maintenance, whilst many had no land at all. The Bolsheviks also attributed the famine to the withdrawal of man-power from the land for service in the Great War and the Civil War, and the impossibility of importing farm machinery during the blockade.

On the other hand, their opponents insisted that the famine was the logical sequel to the repressive measures taken against the peasantry during the period of communism. Thus the bourgeoisie blamed the Bolsheviks and the Bolsheviks blamed the bourgeoisie. Neither was wholly right. The direct cause of the famine was drought. Its unprecedented severity was no doubt due to the conditions enumerated by the controversialists. But there could be no getting away from the fact that had

drought not intervened there would have been a sufficiency of food for everyone in Russia.

The crop yield was the lowest of any recorded during the famine periods of Russian history. In the autumn of 1921 out of thirty-eight million acres of arable land in the province of Samara only one million and a half were cultivated and only 44 lb. of grain were harvested from each acre, compared with the normal amount of 934 lb. for each acre. In other districts the decline was not so marked, but on the whole it was extremely poor.

Sanitary conditions were foul. In the towns filth and refuse lay on the streets, often to the depth of several feet. In the villages conditions were little better. Along with hunger came a plague of spotted typhus. The Bolsheviks officially estimated the deaths from both at 6 millions.

The smaller fry in the Communist Party stubbornly held that the famine was due solely to blockade and civil war. But the more intelligent leaders could not wholly accept this self-excuse. Lenin in particular was troubled by the magnitude of the calamity; he said frankly that the economic crisis had contributed far more to the difficulties of the communists than all the military enterprises of the White armies.¹ From this utterance it is not to be inferred that he thought that the economic crisis was occasioned by White resistance. On the contrary, it is clear that he attributed it mainly to communist mal-administration.

The famine was accompanied by an outbreak of cannibalism, to find a parallel to which one would have to go back in Russian history to the Period of Trouble of the early seventeenth century. An investigation of this repulsive occurrence, undertaken by medical authorities, brought forth hideous details. Many of the human-flesh eaters had abnormal records and antecedents. But many also conformed to standards commonly accepted as normal. They were sober and industrious, clean and

¹ In the course of a speech at the X Congress of the Communist Party.

tidy, and at one time fond of those whom later they destroyed and devoured.

During this period the climax of horror was reached. In the cemeteries ghouls dug up corpses; several caught in the act were set upon and almost beaten to death. Parents and children, sisters and brothers killed each other. Prowlers of the night spread terror. Boys and girls were snatched from the streets. With a promise of food, youths lured children into huts and slaughtered them with axes.

The air was filled with rancour and rumour. Neighbour suspected neighbour; each thought of the other as a possible assassin. Everyone knew what was taking place, though none could with certainty name the guilty, for the deed was always cunningly done in the darkness of night, and because of the famine, law was in suspense and crime went undetected. Since all felt themselves condemned to death, none had concern for the living. In bare huts some were lying half-conscious with eyes closed; others sat staring. For weeks together they lived on garbage; not a grain of corn was left, not an animal survived. Usual life ceased; no one came or went. The windows of many houses were boarded up, and the thatch had been pulled from roofs and devoured. Stillness settled over villages. All hid behind closed doors, apathetically awaiting the end. Physical exhaustion led to moral atrophy. Temptation came suddenly to many; a few strove feebly to resist it; but the passion for self-preservation proved uncontrollable.

When questioned, those guilty of cannibalism answered in the same strain. Without a trace of emotion a mother said: "It came to her turn to die, and so I killed her. She was dying. She would have died sooner or later. And I too shall die sooner or later. The time has come for everyone to die."

"Were you sorry?" it was asked of her.

"Had I thought that she would recover I should have been. But her turn to die had come."

"Do you understand what a terrible crime you have committed?"

"Crime! Was it a crime when everyone was killing and thousands were dying?" was the bewildered reply.

"Do you fear punishment?"

"Let them shoot me. It is all the same how the end comes."

"Were you fond of your children?"

"I don't know. I can't say anything now."

Of another woman it was noted that at one time she had treated her daughter with conspicuous kindness. But during the famine she shared no food with her, nor showed her pity when she complained of hunger.

"One day," she confessed, "the thought suddenly came to my head, the child has got to die anyhow. Already it is half dead. It won't feel anything if it dies now. And I shall prolong my life a few days longer."

An eighteen-year-old girl who killed her young sister felt quite guiltless. "Had I not done so she would have died . . . and I was very hungry," she pleaded. At the same time she confessed to having disliked the victim with whom she had frequently quarrelled and had, as a consequence, been beaten by relatives.

Another woman declared: "We shall all die. We've got to die. Everyone is killing and so we must kill."

And a mother said: "The child was mine. I had a right to kill it to save my own life."

These confessions, all so strikingly in accord, revealed the atrocious extremities to which primitive logic is driven under stress of circumstances, the appalling fatalism, literalness and insensitiveness of the mujik's mind. Most of the cannibals were extremely emaciated and died in hospital. Others becoming pariahs were denied a livelihood and perished from the starvation which they had been so anxious to avoid.

At one period, as a consequence of the famine, a certain amount of compulsory restitution was made, and not a little justice done. During communism town-dwellers

exchanged movable possessions for food. In those days the village was dominant, and the mujiks bore themselves arrogantly, giving little and demanding much. But when the famine came they crept into the towns and there sold for almost nothing articles which they had acquired so cheaply a year or two before.

No famine under the Tsarist régime approached in severity the great famine of the Bolshevik régime. The last famine in the reign of the Romanovs was in 1891; and the region affected was the Volga, which thirty years later was the centre of the great famine. What then occurred afforded a parallel not less than a contrast to the calamity of 1921-22. Typhus raged; thousands perished from hunger. Because they could not pay their taxes peasants were publicly flogged or their goods were seized and sold by auction for whatever price they would fetch, the surplus left over being distributed in a haphazard fashion without the least regard to rightful ownership, old men receiving children's fur caps; bachelors, cradles; and women, men's clothing. Highwaymen ravaged the countryside, wrapping themselves up in white sheets at night that they might remain unseen in the snow, and thus creep on their victims unawares.

In the midst of this horror religious routine continued. Large crosses cut from ice were erected on the river-side. Priests in golden vestments bearing sacred ikons blessed the waters of the Volga. Ladies in bright silk dresses and peasants in national costume gave colour to the scene. A military band played solemn music. Hundreds of men flung off their clothes and plunged into the icy river to wash away their sins.

Lenin, then a young man just of age, was a witness of these events. He moved about the famine-stricken area, and saw the contrast between the religious exaltation and material degradation of the masses. Many socialists participated in relief work. Lenin was one of a few who held themselves entirely aloof from this activity. He disdained to assist in merciful measures under a régime

which he believed was responsible for all the suffering of the peasantry and the complete overthrow of which was his deliberate aim.

Some years later he wrote: "The peasants were reduced to the level of beggars. They lived together with their cattle, and they were clothed in rags. The peasant fled whenever he had anywhere to go, and even paid anyone who would agree to take his allotment, the compensation payments for which exceeded the income he obtained from it. There was a state of chronic famine, and hundreds of thousands died from the starvation and epidemics accompanying the bad harvests which recurred frequently."

CHAPTER XXI

ECONOMIC CRISIS—ISSUES OF PAPER MONEY—1999'4
MILLIARD RUBLES IN CIRCULATION—FALL IN
NATIONAL INCOME (1921-1922)

It is necessary to look back and see how trade had progressed since the initiation of the New Policy, since the time when the individual was allowed to buy and sell again.

Famine could not have come when the Bolsheviks were less prepared for it. The decision to substitute modified capitalism for extreme communism had just been made; and the change-over intensified chaos. Famine in the country caused hunger in the towns. Food could only be procured by exchanging manufactured goods for agricultural produce. The need for these manufactured commodities was acute; the simplest implement became almost a curiosity.

A strange situation arose. Owing to the famine the produce of which the peasants disposed was small. Manufactured commodities were also scarce; industry was then working at only one-fifth of its pre-war capacity. But the peasants had the upper hand. The town could not go without food, whereas at a pinch the country could do without factory commodities. The volume of purchasing capacity possessed by the peasants was limited, but they exacted full measure for what they gave. On the other hand, the prices of manufactured articles remained relatively low. Neither party had much to offer. But the advantage was often with the mujik, for he had a monopoly of bread.

At this time the newly created trusts were struggling

hard for existence. They could only find means wherewith to survive by getting rid of stock at well below cost of production. In other words, they lived from hand to mouth, devouring all the while their own circulating capital. Frenzied competition for the custom of the peasants took place. There was a terrific outburst of speculation. Again men had liberty to gamble, again they had visions of riches easily won.

In 1922 the situation again changed. The peasants then were feeling the full effect of the famine, and their purchasing power sank almost to nothing. Hardly any trade was done outside the large centres; the economic link between peasantry and proletariat was weakened. Soon the warehouses of the state trusts bulged with goods for which there was no sale.

Within a year of its existence state capitalism plunged into a crisis of under-consumption. For this Lenin solely blamed the communists. At the XI Congress of the Party in March 1922 he said: "We must show the peasant by our deeds that we know how to help him, that we are really assisting the ruined and starving small farmer, or he will send us to the devil. Herein lies the true meaning of our new economic policy. The peasants still trust us. After all they have lived through they cannot help doing so. The majority of them still think: 'Well, if you don't know how to help us we will wait, perhaps you will learn.' But their patience is not inexhaustible, and the moment will come when, to use a commercial expression, they will refuse us further credit and will ask for cash. They will say, 'Dear rulers, after so many years of postponement, have you found the right way of helping us out of poverty, starvation and ruin? Do you know how to do it?' The capitalists knew how to organise supply. They did it badly, they plundered and offended us. But they knew how to do it; you do not.' Such criticisms are undoubtedly awaiting us, and will decide in the long run the fate both of the New Economic Policy and of the communist government in Russia. They

were heard last Spring; not always very distinctly; but they were there, preparing the ground for the last Spring crisis. The simplest and most cutting criticism offered against the Communist Party by the peasantry then was: 'You may be excellent people, but you do not understand much about economics, and it is not your business to meddle with it. The capitalist may plunder his employes and pocket large profits, but he knows his business; whereas you, with your new-fangled ideas of no profits, communist principles and lofty ideals, may be little short of saints ready for translation to heaven; but do you know your business?' "

In the Spring yet another change in the situation occurred. In anticipation of a satisfactory grain harvest the peasants sold their last reserves and bought manufactured goods with the proceeds. Although the harvest came up to expectation, it was smaller than the harvests of war-time, the gross yield amounting to 2,876.6 million poods, compared with 3,854.7 million poods in 1916. No grain whatsoever was exported. On the other hand, commodities for the relief of the famine were imported to the value of 184,533,000 rubles (£18,453,300).

In particular, wheat, the most valuable of all grain crops, suffered. The proportion of the total sown area taken up with this cereal declined from 28 per cent. in 1916 to 18.1 per cent. in 1921-22, and the production from 1108 million poods in 1916 to 534 million poods in 1922. The value of agricultural production as a whole was half that of 1913. The quantity marketed was also half that of pre-war years. But in comparison with the wretched harvest of the year before the harvest for 1922 was considered to be rich.

In soviet conditions the effects of sufficiency proved as harmful as had been those of dearth. For now the purchasing power of the towns faded away, and there was but a restricted demand for agricultural produce, the prices of which fell swiftly. Between October 1 and July 1 the average price of grain forage fell from 1 ruble

to 66 kopecks per pood. Thus in a period of good as in a period of bad harvest the peasants found themselves with little to spend. And on this occasion the little did not go far. Prices of manufactured commodities were now high. This circumstance was due to various causes. Wages, taxes, management expenses, all had risen. Then by this time the state trusts had organised themselves into syndicates, and were using their monopolist powers to restrict the flow of goods on to the market. Yet, although large quantities of commodities were sold below cost of production, prices were still prohibitive. Consequently trade between town and country became once more difficult. But on the whole the town benefited, for, owing to the cheapness of agricultural produce, its hunger was appeased.

It was too early to expect decisive results from the New Policy. But such results as had been obtained were not promising. Everything depended upon the restoration of money. It was the function of the government to determine the amount of currency that should be issued ; its decisions in this regard were solely dictated by need to secure possession of real values with which to cover state expenditure. But the need of the state was one thing, that of the country another. In the absence of credit and other substitutes for money, the amount of currency required by the country depended upon the quantity of goods marketed and the velocity of the circulation of these goods. Issuing of currency in excess of such legitimate requirement caused the depreciation of all money. As the disproportion of money to goods increased, so prices went up—in other words, as the notes in circulation increased, more and more of them were needed for the purchase of commodities. Thus whilst the government found a means of existence, the population found it hard to survive.

It has been said that the amount of currency required depended upon the amount of goods marketed and the velocity of the circulation of these goods. The value of

such currency was ascertainable by dividing the volume in circulation by the index number of goods prices. The figure derived reflected the demand for money on the commodity market, and was therefore a fair indication of the extent of this market. As trade turnover varied, so the value from emission varied; hence value was the sole test of achievement.

From January to August of 1921 the value of monthly emission as expressed in goods rubles fell to an extremely low level, varying from 3.1 millions in June, when 223,844 million rubles were issued, to 9.0 millions in August, when 702,647 million rubles were issued. At this period money was at death's door. Yet the state still had responsibility for the maintenance of more than 30 million persons. How wretched this maintenance was could well be imagined. From September emission gave increased value. During December 7,694,186 million rubles were issued, from which 37 million goods rubles were derived.

In January of the same year the volume of currency in circulation was 1,168.6 milliard rubles, the true value of which was 69.6 million rubles. In July this value fell to 29.1 million rubles; the amount of currency in circulation at that time reached 2,347.1 milliard rubles. Then between that month and December value went up to 75.3 million rubles currency in circulation to 9,849.7 milliard rubles.

During each month of 1922, with the exception of the last two, the value of emission exceeded that of the corresponding months of 1921. At the same time the monthly issue of currency was considerably larger than in the previous year. In January it amounted to 12,021,905 million rubles, in December to 515,245,663 million rubles, or nearly fifty times more than emission in December 1921. The lowest value yielded was 14.0 million rubles in May, the highest 40.0 million rubles in August. In September there was a fall of value, which continued up to the end of the year; the total for December was 27.2 million rubles, 10 millions below that for December of the previous year.

Equally striking were the figures relating to the volume of circulation in 1922. In January this volume amounted to 17,539·5 milliard rubles, the value of which in goods rubles was 60·9 millions. By the following month volume increased to 30,144·7 milliard rubles. But value began to fall, and continued to fall until May when it stood at 3·01 million rubles, the lowest level reached since 1920. The volume then was 127,856·4 milliard rubles. From June steady appreciation took place; by September value had risen to 116·1 million rubles, the highest level reached since 1920. At this time the volume in circulation was 696,141·6 milliard rubles. In the following month a fall again set in, and by the end of the year the value was down to 89·9 million rubles. The total amount then in circulation was 1994·4 milliard rubles.

The foregoing figures are not without bearing upon the conditions described earlier in this chapter. They show that from the autumn of 1921 the market began to enlarge. Yet the country was no richer; the quantity of goods in existence had not increased. This was the period when the state trusts threw all their reserves upon the market, that they might procure the means wherewith to survive. Hence, despite the high speed of emission, the value of money appreciated, and for a while prices moved up but slowly. Other unusual circumstances also stimulated the demand for currency. Of these, the chief was the New Policy itself, which involved the replacement of a natural system by a monetary system of economy. Buying and selling with money returned. Larger sums than before were required for the movement of goods. Freedom of trade was allowed again, and the products of private enterprise were much dearer than those of state enterprises, the prices of which were fixed. Thus it was a combination of exceptional conditions that temporarily increased the need for money.

Soon, as the figures showed, a reverse process set in; contraction of the market diminished the demand for money and thus lowered the value of the volume of cur-

rency in circulation. Henceforth the more value shrank, the more emission grew. Printing presses worked day and night turning out vast quantities of notes. On each note was the figure of a fortune, yet none had the worth of a pittance. Thus by handing out waste paper the government secured the services of millions of duped workers, and was enabled to cover its monstrous deficits.

Statistics afford a vivid picture of the damage done by revolution. It has been said that the real value of the currency in circulation was an indication of trade turnover—that is, of the extent of the market. At the end of 1922 this value expressed in goods rubles was 89.0 millions. On January 1, ten months before the Bolsheviks seized power, the amount of currency in circulation expressed in gold rubles (corresponding to goods rubles) was 2,421 millions. Consequently it could be said that as a result of revolution the trade turnover diminished nearly twenty-seven times. But the value of currency related only to such goods as were marketed. Although an important, it was but a partial guide to economic conditions. Of the situation as a whole an indicator was the value of production in its entirety—that is, the size of the national income. Here such data as are available relate chiefly to 1921. The following estimates of national income per capita in that year were formulated by S. N. Prokopovich, at one time Professor of Economics in the University of Moscow:—¹

	1913.			1921.
Agriculture . . .	48	rubles	34 kopecks.	30.1 rubles.
Industry . . .	22	„	3 „	5.1 „
Various other Branches .	30	„	„ „	3.1 „

From the foregoing figures Professor Prokopovich calculated that, with a population of 115.6 millions, the national income of Soviet Russia was $4\frac{1}{2}$ milliards. While several other estimates were lower, none was higher than his. Four and a half milliards could therefore be

¹ "The Economic Situation of Russia," by S. N. Prokopovich. (P. S. King & Co., Ltd.)

accepted as an approximation to actuality. Russia had become three times poorer than before the war.

Considered per capita, the fall of national income from Tsarist times was as follows: 1913, 105·35 rubles; 1916-17, 85·60 rubles; 1921, 38·60 rubles. Commenting upon these figures, Professor Prokopovich said: "Under the destructive influence of the World War our national income decreased by 15·5 per cent.; as a result of the policy of the Soviet government it fell by 46·4 per cent." In 1921 each inhabitant of Russia was producing monthly goods to the value of 3 rubles 20 kopecks (about 6s. 5d.). The standard of living was thus represented by an equivalent of about 1s. 6d. weekly.

CHAPTER XXII

CONDITION OF INDUSTRY—PRODUCTIVITY OF THE WORKER
—INSUFFICIENCY OF CIRCULATING CAPITAL—HALF
THE FIXED CAPITAL EXISTING IN 1913 LOST
(1922-23)

IN 1922-23 there was much confusion in the towns. As a consequence of the fairly good harvest, acute hunger had passed—that is to say, there was a sufficiency of bread. But want was still the lot of every individual. In the period of communism thousands of proletarians, many of whom were skilled craftsmen, fled to the village and worked on the land. Now, when there was prospect of industrial recovery, these thousands streamed back. Their one hope was to resume work in large undertakings, all of which belonged to the state. Private enterprise was tolerated only on a small scale, and employed but few people.

The data are instructive which dealt with the relative proportions of private and state industrial enterprise and of the labour employed by each in 1922-23. Whilst private enterprise accounted for 40 per cent. of all enterprise, it employed only 15 per cent. of total amount of labour engaged. But fully 70 per cent. of this private enterprise was of a petty character, and most of it was confined to villages. On the other hand, two-thirds of the labour in state industry was employed upon large enterprises. Since the system existed for the proletariat, managers of trusts desired to engage as many as possible of the returning old workers. But they also feared to discharge men in order to make room for others. Hence, employment was found for only 60 per cent. of

the former workers; and all factories contained a large proportion of unskilled men who not long before had been peasants.

Official statistics published in July of 1923 showed that 4,800,000 trade unionists were then in the employment of the state. Of that number 2,128,000 worked in factories. According to the records of the labour exchanges, 400,000 persons were idle. But such records were incomplete. In the preceding year the state maintained 35 million people; now, inclusive of the families of wage-earners, it supported less than a third of that number. What had become of the remainder? The answer was that most of them were destitute. The number of unemployed on the registers was small; but in reality unemployment was enormous; the most familiar sight in the streets was a beggar.

Times had greatly changed; for, whereas at one period the state took upon itself the maintenance of the entire working population, it now sustained only those whom it deemed economically useful. The whole purpose of the New Policy, in fact, was to bring to an end the era of deficit. Yet, whenever it was proposed to close superfluous factories or to discharge superfluous men, there was outcry, and on several occasions strikes occurred. Consequently, for a considerable while most state enterprises retained many more men than were needed for the work in hand. On that account they were unable to place their affairs upon an economic basis, and continued to incur heavy losses.

Idle people complained ironically of their lot. Not rarely remarks of this nature were heard: "What is the use of socialism if a man has no work?" or "Under communism perhaps we starved, but we were all equal. Now we still starve, and must find jobs for ourselves." It was not accidental that a large proportion of the unemployed consisted of intelligentsia. At that time all survivors of the educated class were marked out for physical extermination. Quite seriously it was believed

that the workers were capable of stepping at once into their places.

Whilst the necessities of life cost thousands of times more than they had done in 1913, wages were less than half the pre-war standard. Productivity was correspondingly low. The statistics of the State Planning Department showed that in 1922-23 the value created by each Russian worker was 1365 rubles, 63 per cent. of the 1913 value. Other departments insisted that productivity was not more than 33 per cent. of pre-war achievement. Bearing both estimates in mind, it would not be wrong to say that the labour expended upon production was double that of pre-war time. Yet, in comparison with the earlier period of the New Policy, progress had certainly been made; for in those days the production of the worker was as low as 29.0 per cent. of the pre-war total. Beyond doubt the abandonment of communism had proved beneficial. Nevertheless the condition of state enterprise of all kinds was still extremely critical.

It was admitted by the Bolsheviks themselves that dependable information did not exist. I have before me two enormous economic works published at this time, one by the Supreme Economic Council, the other by the Commissariat of Finance. The first contains forty-six chapters written by professors, and covering 602 pages, the second more than fifty chapters, also written by professors, and covering 777 pages. In each instance the pages are large and the lettering is small. Numerous statistical tables are included. Yet the verdict of both books was that as regards essential matters no reliable figures were procurable. If in view of the existing chaos this was not strange, the same could hardly be said of the expenditure of so much labour and money upon publications the information of which was of so doubtful a character.

One industry after another complained of an almost total lack of circulating capital. At the beginning of the

year the railways declared that they had expended all their reserves, that they could only provide for their requirements month by month, and sometimes even day by day. Half the fuel which they consumed was wood. But wood needed to be collected and dried at the proper season. This preparation had not been carried out, nor had reserves of coal and coke been accumulated.

Rough official estimates placed the productivity of industry as a whole during 1922-23 at somewhere below a third of pre-war times. It was said that the output of pig-iron was one-eightieth, of coal one-third, of oil products less than a half of pre-war totals, and that the quantity of timber transported over all waterways was half of that so moved in pre-war times. Disastrous was the circumstance that the production of the metal industry and of each worker engaged in it was nowhere near that of 1913, for this industry was almost wholly occupied with manufacture of material for the repair of plant.

The following table illustrates the decline in the production of certain industries :

	Monthly average during 1913.	In October 1922
Coal . . .	141.5 million poods	39.2 million poods
Oil . . .	46.9	
Iron . . .	21,430.0 thousand "poods	1079.0 thousand "poods
Cotton yarn	1,525.0 " "	390.0 " "
Woollen yarn	185.0 " "	73.0 " "
Flax yarn	236.0 " "	138.0 " "

Out of eighty-nine chemical factories, only fifty-four were producing, and only 26 per cent. of all glass, cement, pottery and china factories were producing. All such figures, it must again be emphasised, are merely approximate. Comparison with the earlier years of the revolution is out of the question, for statistics relating to that period are even more unreliable than those for 1922-23. Yet an improvement in the situation was plainly discernible. One, and perhaps the chief, indication of this improvement was the increase of wood supplies

which brought the prolonged fuel famine to an end. A severe shortage of mineral fuel remained.

Although the heavy industries suffered the most, there was no industry that was not in a bad way. True to Bolshevik theory, the various departments, aided by hordes of statisticians, continued stubbornly to plan production a year ahead, not merely for each industry, but for each factory and each branch of a factory. On several occasions during the year the proportions of these plans were drastically reduced. Even so only in a few instances was realisation possible; but the mere fact that most industries surpassed the poorer record of the previous year afforded ground for hope.

Whatever impetus industry received at this period was attributable chiefly to the large reserves of raw material which remained over from the old régime. The cotton industry was one of those which in 1922-23 received its raw material from stocks accumulated before the revolution. Despite this circumstance its cost of production was much too high. Because of the low purchasing power of the population it was forced to dispose of its goods at prices well below such cost. These goods could never be purchased throughout the entire country; all of them were sold to peasants living near the railways. Eighty per cent. of the production planned for the year was realised, the value of which was a third of the production of 1913. At the end of the year the industry was in financial straits and heavily in debt to the state for taxation and social insurance contributions.

The silk industry complained of severe competition from state trading establishments which had been given free supplies from the reserves of the Tsarist régime. The output of the woollen industry was little more than half that of pre-war times. Sometimes there was insufficiency of dyes, which had to be imported. Owing to lack of raw material, no fine cloth could be produced; only the roughest cloth was manufactured.

Of all industries the paper industry afforded perhaps

the truest reflection of the character of the régime. In 1922-23, 6 million poods of paper, made from materials accumulated by the old régime, were manufactured, 18 million poods less than in the pre-war year 1913. But of the total quantity 85 per cent. was consumed by state establishments. There was hardly any demand for writing paper. People were in no mood for corresponding with one another, besides which postal communication was unreliable. Here it may be mentioned that enormous destruction of books contained both in state and private libraries took place.¹ These books were pulped to provide material for the manufacture of paper, which was chiefly used for bureaucratic purposes. Among them were many rare and valuable specimens.

River transport was one of the worst examples of state mismanagement. Here no repairs were involved. When the government took possession of the river fleets, nearly all the ships were in working order, and the displaced firms were making considerable profit. Yet in 1922-23 the deficit on this branch of nationalised industry was estimated to be at least 10 million gold rubles.

No attempt had been made since the beginning of the revolution to ascertain the extent of the depreciation of the fixed capital of industry, to form a serious estimate of the losses occasioned by deterioration of plant. Curiously enough, so far the need for renovation had not been pressing. In 1921-22 industrial production shrank to one-fifth of the pre-war amount. But the actual capacity of plant, though greatly impaired, was considerably larger. Much of this capacity was unused. In one sense that was not unfortunate, for whenever a working factory lacked anything it borrowed equipment from a factory that was inactive. "Borrowed" was the word used; repayment, of course, was never made. Thus industry survived by devouring its own structure.

¹ "Almanac of a Librarian," by F. Shilov, Leningrad, Society of Librarians, 1929.

Had the working factories not preyed upon the idle factories, production would have ceased altogether.

In 1922-23 an attempt was made to gauge the extent of depreciation. The Commissariat of Finance declared : " Fixed capital in large industry before the war amounted to 5 milliard rubles ; since then half of it has been lost."

The Supreme Economic Council roughly estimated that the fixed capital employed in 1922-23 was 2,000 million rubles, or 40 per cent. less than in pre-war times.

It will be noticed that the Commissariat of Finance said plainly that half of the fixed capital in existence in 1913 had been extinguished. But the Supreme Economic Council merely asserted that the fixed capital in employment was 40 per cent. below the pre-war figure. Both calculations were guess-work ; and there was not much difference between them. It was therefore not unreasonable to suppose that fixed capital had depreciated by half during the war and revolution, all the more so as this estimate was fully borne out by information received from a variety of other sources.

It was impossible to say how much of the loss was directly traceable to the revolution. The damage done by violence was less than was generally assumed. Much of the depreciation was due to lapse of time. After the war all countries found that a great part of their equipment had become obsolete. But this fact hardly excused the Bolsheviks for their incapacity to make better use of such plant as was at their disposal.

The sum devoted to renewal during 1922-23—barely 70 million rubles—was much too small to arrest depreciation ; thus plant continued to wear out at a faster rate than it could be replaced.

The information available as to separate industries was depressing. A special commission investigated the Donets mining region, from whence most of the coal consumed in Russia was obtained, and formulated a plan of reconstruction covering five years and involving an expenditure of 250 million rubles ; also it framed a scheme

of development for the immediate future. In 1922-23 a sum of 18·5 million rubles was allocated for these projects, of which the state contributed 11·6 million rubles. But such expenditure was small in comparison with the need, how small may be judged from the fact that, whereas before the war the fixed capital of the industry was 375 million rubles, it was now hardly 187 million rubles.

The extent to which the fixed capital of the oil industry had depreciated was unknown. The fixed capital of the metal industry declined by half, and that of the textile industry by 60 per cent. Plant in sugar factories had not been repaired since 1915; 40 per cent. of the machinery in glass, cement, china and pottery factories was worn out; and 30 per cent. of the machinery in electro-technical factories was derelict. All industries without exception reported an acute shortage of working capital.

Light industry, as, for example, leather, textiles and sugar, which produced the commodities of everyday life, had recovered to some degree. But heavy industries, as, for example, coal, iron and steel, made slow progress. It was computed that for their revival a sum of not less than 100 million gold rubles would be required, but that at the outside not more than 20 million gold rubles could be raised.

Equally large funds were necessary for agriculture; the peasantry lacked implements, cattle, fertilisers—in fact everything indispensable for farming. It was evident that the whole system was suffering from economic anæmia. Supposedly it was a system of state capitalism, but how was state capitalism possible without capital?

CHAPTER XXIII

THE "SCISSORS" CRISIS—PROFITEERING BY STATE ENTERPRISE—HIGH DIVIDENDS OF TRUSTS—HEAVY TAXATION—EXPORTING GRAIN WHEN MILLIONS WERE HUNGRY (1923)

IN 1923, two years after the initiation of the New Policy, the whole economic system plunged into chaos. During that year the fall in agricultural prices and the rise in industrial prices, which began in 1922, continued. The separation of the two categories of prices was compared to the widening of the two blades of scissors; for that reason the crisis received the name of "the scissors crisis."

In January the level of agricultural prices was 18 per cent. below and that of industrial prices 24 per cent. above pre-war level. By September the one was 50 per cent. below, the other 80 per cent. above this level. Industrial commodities were 300 per cent. dearer than agricultural commodities, the prices of which reached depths never recorded before. Whereas in January of 1922 the price of wheat in Russia had been three times higher, in July of 1923 it was one and a half times lower than the price of the same commodity in London. Between October 1st, 1922, and October 1st, 1923, the price of grain forage fell from 1.02 rubles to 0.45 ruble per pood. A peasant had to part with the results of nearly a whole year's toil in order to acquire a pair of boots. The purchasing capacity of a pood of grain was one-fifth of that of the same quantity in pre-war times. What had been feared came to pass. Peasants ceased to buy; state industry was beleaguered; the economic ties between town

and country broke; and a condition reminiscent of War Communism returned. Some trusts sold no goods for seven months. It was difficult to find room for accumulating stocks. The rubber trust in Leningrad had six million pairs of goloshes on its hands; the reserve tanks of the oil trust were overflowing. The Supreme Economic Council estimated that nearly half the annual production of industry had not been sold.

The crisis resembled those crises which are common to capitalist countries, and which are usually attributed either to over-production or to under-consumption. Marx and Lenin always said that capitalism was foredoomed because of its fatal incapacity to adjust production to consumption, and held that such disequilibrium would be corrected when the proletariat attained power. Up to the present their prediction had not been fulfilled. Thus Bolshevism had not proved itself to be superior to capitalism. One school of economists insisted that the crisis of 1923 was not one of over-production. In support of this assertion they declared quite rightly that the need of the peasantry for manufactured goods was acute. If, they continued, it could be said that there was over-production, such over-production was related exclusively to prohibitively-priced articles. As regards agricultural commodities, they contended that since the supply greatly exceeded market capacity of absorption no question of over-production was involved. Hence they felt justified in concluding that the crisis was not deep-seated. It was, they averred, solely the outcome of inefficient planning and irrational price-regulation, that was to say, of defects that were remediable.

One or two comments may be made upon the foregoing views. Even if the prices of industrial commodities had been reasonable the supply would have proved wholly insufficient. The alternative, therefore, to over-production of prohibitively-priced articles would have been under-production of moderately-priced articles. As for agricultural commodities, production was certainly larger

than the market capacity for absorption. That this capacity was inadequate to the needs of the population, as a whole, was due to the breakdown of the mechanism of exchange and of the means of distribution. The harvest was fairly good; relief supplies, moreover, were still coming in from abroad. Yet, in spite of plenitude, many people were insufficiently fed. Considered in this light the crisis appeared to be one of under-consumption; but however regarded, whether from the aspect of agriculture or from that of industry, it proved convincingly that Bolshevism no more than capitalism was capable of adjusting production to consumption. Nevertheless, the economists of whom I have spoken insisted that since the crisis was of an overwhelming elemental character and arose from a multitude of causes concealed within the soviet system, it differed essentially from the crises of capitalism. The chief remedy advocated by them was careful planning.

A second school argued that disequilibrium between agriculture and industry was deeply rooted in history, that planning could not have averted a crisis. This trend of argument was depressing, for it implied that Bolshevism was deeply ensnared in the past, that no more than capitalism was it able to construct an orderly economic system. If such an implication were true, then it followed that Lenin was a false prophet.

Rykov was one who pleaded historical causes. He expressed the conviction that the crisis was primarily due to a disproportion between the production of agriculture and that of industry which originated in the remote past. At the same time he sought to demonstrate that the New Policy was not a failure, in proof of which he contrasted it with communism. The crisis of communism, he said, was due to "beggarliness and unpreparedness," that of the New Policy to abundance and over-production. His line of reasoning had something in common with that of the experts to whom I have just alluded. He regarded the possession by industry of stores of exorbitantly priced and therefore unsaleable goods, and by the peasantry of

more grain than the market could absorb, as evidence of over-production. Yet, as has been said, leaving the question of prices out of consideration altogether, reserves of manufactured goods were quite insufficient for the needs of the peasant, while, despite the adequacy of farm produce, a great part of the population hungered. But however much experts disagreed as to the causes of the crisis, they had to confess with one voice that so far the socialist system of planned economy had proved more anarchical than the capitalist system of planless economy.

In all countries participating in the Great War agriculture was less disorganised than industry. For that reason there was subsequently a marked disparity between the production and prices in the one sphere and in the other. Because of the revolution such disparity was greater in Russia than in any other country. The conditions which brought this about were the turmoil of the times, the shortcomings of the Russian character, and the defects of the system.

The root cause of the disparity of prices was disproportion between agricultural and industrial production. Because of the chaos inseparable from revolution such disproportion was unavoidable. But a sequence of unique circumstances increased it to a fabulous extent. This sequence began in 1921, the year of famine. In that year the already weak tie between town and country was severed, and a market for the interchange of products vanished. Soon the little that was left over from the harvest of the previous year was consumed and the peasants were reduced to living a hand-to-mouth existence. When the year 1922 came they were unable to repress fears that the harvest might fail again. Consequently little grain was offered. At that time industry was working feebly; and its stocks were small. That it might acquire a bare sufficiency of raw material for the factories and of cereals for the town population, it limped on to the market and frantically disposed of its last stocks. As a result it was compelled to face the

year 1923 destitute of reserves both of capital and commodities. Having sold out accumulated goods, it soon found that there was little or no demand for newly-produced goods. Thus from a crisis of depletion a crisis of satiation was born.

Events were not fulfilled as had been anticipated. The fears of the peasantry that the harvest of 1922 would fail were not justified. Here it must be borne in mind that the harvest of any one year decisively influenced economic conditions of the succeeding year. The total yield of cereals in 1922 was 3,000 million poods compared with 1,617 million poods in 1921, the year of famine, an increase of over 60 per cent. On the other hand, during the same year industrial production increased only by 5 to 10 per cent. By 1923 the total production of agriculture was 70 to 75 per cent., of industry 30 to 35 per cent. of pre-war level. The disproportion between the two was still great; but it was diminishing; industry was gaining on agriculture. Why then was the disparity of prices growing, not diminishing? This was the question which puzzled soviet economists.

It should be mentioned that these, and indeed all other figures cited in the present chapter, are approximate. Accurate statistics were non-existent. Yet on that account it would be wrong to suppose that such statistics as were available did not reflect in a general way a truthful picture of the situation. The disproportion between agriculture and industry was certainly not less than has been indicated; it may have been more. But whatever it was, it could only be regarded as a contributory cause of the crisis. The main and immediate cause was the high prices of manufactured commodities. Numerous circumstances accounted for these high prices. Everything combined to raise cost of production: the worn-out character of plant, the dearness and inefficiency of labour and transport, excessive commissions and overhead charges. In a word, the economic system was in confusion and all values were grotesquely distorted.

Yet when allowance was made for dearness inseparable from revolutionary chaos, the fact remained that prices should not have been nearly so high as they were.

On April 10, 1923, a law was promulgated re-affirming in the most explicit terms that the basis of the soviet state was commercial accountancy, that the function of the trusts was to amass profit, and that should any of them fail to do so they would be liquidated. They were therefore under no illusion as to what was required of them. They had to amass profit or cease to exist. A defect of character was in a measure responsible for the crisis that followed. Russian traders were always imbued with the notion that the secret of success was grabbing. Under the régime of capitalism competition restrained their greed to some extent. But in 1923, the year of which I am writing, such competition was absent. At that time state enterprise enjoyed a monopolist power. This monopolist power was mainly vested in nineteen large syndicates. These organisations fulfilled a useful purpose in the earlier period of the New Policy when they confined themselves to wholesale trade and acted as a link between the trusts and a market then in the first stages of re-creation. But later they went into the retail business for themselves and, in this and other directions, made oppressive use of their monopolist powers. Nearly 100 per cent. of oil and salt and from 40 to 50 per cent. of all other commodities produced by state enterprise were controlled by them. They charged from 15 to 20 per cent. above the prices of the trusts. Always, too, they stifled enterprise, discouraging strong trusts who were in a position to offer goods at low prices and favouring weaker trusts, whose prices could not be otherwise than excessive. The object in view was to invigorate enfeebled undertakings. But it was impossible to force development. Only two years before trade had begun afresh from nothing. At that time no other means existed of getting into touch with the customer than the market and the fair. Establishing personal connections and accumu-

lating capital was a slow business. Yet the syndicates behaved as if that which had been destroyed by years of calamity could be restored in a few months with but little effort.

The trusts also were anxious to recover ground easily. A year before they had incurred heavy losses by selling out frantically. They now looked to extortion for the recovery of these losses. Their concern was to shift the burden of taxation and of other extraneous charges to the purchasers of goods. "Take as much profit as you can and for as long as you can" was the motto upon which they acted. In short, they traded merely for the sake of trading, not for the purpose of conveying goods to those who needed them. It never occurred to the managers of these undertakings that a large turnover and moderate profit were preferable to a small turnover and exaggerated profit.

Much confusion was caused by a too rigid adherence to plan. At the beginning of the year each trust planned production twelve months ahead, at the same time determining the number of workers requisite for this period. Thereafter, although the demand was falling, they clung to their arrangements. Not a man was discharged, not a machine stopped. Although speculation was a crime, it was openly indulged in by all sections of the population, both chervontsy and commodities being used as counters. Even the trusts were drawn into it, for a situation had been brought about in which those enterprises that did not speculate could hardly survive. Managers stood at street corners and gambled as part of their daily routine.

Corruption was rife. Directors of trusts concluded agreements with friends or with fictitious persons, as a result of which they pocketed large commissions. Frequently they found that it was more profitable for the enterprise which they represented, and sometimes for themselves also, to have dealings with private middlemen rather than with co-operative organisations. Of the

total trade turnover of state industry in 1922-23 only 9 per cent. was transacted through the medium of these co-operative organisations.

Various state undertakings and departments competed one with another in purchasing raw materials and other supplies. Provincial authorities embarked upon trade on their own account. Intermediaries of all grades abounded and flourished. Essential commodities sometimes passed through ten wholesale and retail undertakings on their way from factory to consumer. Centralisation of the goods turnover in Moscow greatly intensified chaos. A typical instance was mentioned of consignments making a journey of 750 versts to and from Moscow when a journey of six versts would have sufficed. In view of all the foregoing circumstances it was not surprising that prices, both wholesale and retail, were high and the gap between them extremely wide. An arshin of common cotton print material which cost 36 kopecks at the factory sold retail at 72 kopecks, a difference of 100 per cent. A pood of salt cost 1 ruble 10 kopecks to 1 ruble 30 kopecks wholesale, and from 3 rubles up to 3 rubles 80 kopecks retail; a difference of 200 per cent. Articles of necessity were abnormally dear, of luxury abnormally cheap. It was calculated that the profit of industry was on the average 41·4 per cent., of trade 38·7 per cent. higher than that of pre-war days.

The banks could not escape culpability for the crisis, in particular the State Bank, which nominally controlled all credit transactions. They required not merely high percentages but a share of profits. Thus, not content with plundering their clients, they participated in the extortion which these clients practised upon their customers.

With credit was bound currency. Two currencies were in circulation, chervontsy and soviet money, the one issued by the State Bank, the other by the Treasury. In summer the State Bank freely gave credit to state enterprise. These credits were supplemented by large

budget dotations. As a consequence, the trusts were enabled to hold back goods in warehouses and to stand out for high prices, disregarding the acute need of the community for the simplest necessities of life. Afraid to trade lest they suffer loss (the penalty of which was extinction), they preferred to live by borrowing, not having the least conception of how they were to pay back. Each month from March to August, with the exception of June, goods turnover diminished. Between January 1st and October 1st of 1923, according to the Index-Number of Wholesale Prices of the State Planning Department, the purchasing power of the chervonets declined from 11 rubles 68 kopecks to 7 rubles 47 kopecks, and according to the Index-Number of Retail Prices of the Institute for the Study of Market Conditions, from 8 rubles 94 kopecks to 6 rubles 15 kopecks. This depreciation gave rise to justifiable anxiety. The whole purpose in creating the chervonets had been to secure a stable monetary unit. Were further depreciation to set in, financial reform, and with it the New Policy, would collapse.

The fall of the chervonets was gentle in comparison with the plunge of the soviet token. From 1st May to 1st November the decline in the value of all soviet money in circulation was continuous. In summer the Central Executive Committee gave definite instructions that the emission of this money should be restricted to the equivalent of 30 million gold rubles up to August 1st, and thereafter to the equivalent of 15 million gold rubles monthly. In accordance with this direction shrinkage was inopportunately enforced in August and September, when money was badly needed for the realisation of the harvest. Meanwhile immoderate issues of chervontsy changed the constituency of the volume of money in circulation, calculated according to chervontsy or goods rubles. Between March and August the proportion of chervontsy in this volume had grown from 25 to 40 per cent. So far the chervonets, the lowest denomination of

which was ten rubles, had not penetrated into the country-side. It was essentially the currency of the towns, and even there was confined mainly to wholesale transactions. On the other hand, soviet money was essentially the currency of the village, where its function was that of small-change money.

How did this "division of labour" come about? As the more stable chervonets entered into usage, it swelled its proportion in the volume of real money in circulation, depreciating and displacing soviet tokens. The denomination of the chervonets was too high for popular acceptance. In effect, therefore, a lowering of value was equivalent to a lowering of denomination. It ensured for the bank-note a wider circulation than it could otherwise have obtained. Thus, as the sphere of the chervonets expanded that of soviet tokens shrank. The consequence was a crisis of small-change money, which began in August and lasted several months, each month becoming more acute.

Money was urgently needed for several purposes. It was needed not merely for small change, but for meeting the budget deficit and for the movement of autumn crops. The function of small change could only be fulfilled by soviet money. Soviet money, moreover, was the only money lawfully issuable for covering budget deficits. Although for financing crop movements a choice between emission of soviet money and chervontsy was possible, there were objections to the issue of chervontsy for this purpose. Already emission had been carried to such lengths that the Government had found it necessary to resort to measures of restraint. Mention was made a little while ago of the granting of considerable loans to industry by the State Bank. With a view to forcing the trusts to liquidate stocks, credit was restricted, at first insufficiently; then, in response to representations by the Commissariat of Finance, more rigorously in September. As a result, the purchasing power of the chervonets went up again. In view of all these circum-

stances it was not surprising that the Government should have been reluctant to retrace its steps and consent to a larger issue of bank-notes. Since, however, money was needed in considerable quantities and had to be found somehow, the treasury fell back upon soviet currency. All limitations to the emission of this currency were now removed. The amounts issued in the last quarter of the year were as follows:—October 30,890 million rubles, November 45,246 million rubles, December 79,650 million rubles. The issue of October was five times, of November six times, and of December more than twelve times in excess of that of September. During the last quarter of the year the rise in prices was 104 per cent. per month compared with 78 per cent. per month in the third quarter, 43 per cent. per month in the second quarter, and 23 per cent. per month in the first quarter. During the last nine months of the year, with but one exception, October, growth of prices exceeded the rate of emission. Soviet economists differed as to the causes of high prices and diminished turnover of industrial goods. Some laid the chief blame upon inflation, others upon the rise of world gold prices and upon the excessive cost of production brought about by the dearness of raw material and labour.

There was much criticism of the methods of crediting. The trend of such criticism was briefly as follows:—Credit was granted at inopportune times and in inappropriate forms. Too much of it was given against goods or the contingency of goods being produced, too little of it against bills. The system of bills, the purpose of which was to facilitate movement of commodities, developed slowly. Consequently production was not linked with distribution, and consumers were deprived of articles which they badly needed. On July 1st the indebtedness of the State Bank was accounted for as follows:—bills 9·1 per cent.; credit against goods 21 per cent.; loans to industry 62·5 per cent. No objection was taken to the considerable crediting of industry

which took place in the earlier part of the year. Without exception all productive undertakings were then suffering from acute shortage of capital. To supply this deficiency loans were liberally forthcoming. Later it was necessary that the commodities produced as a result of this financing should be dispersed, and that credit should at once be diverted into trade channels. But the mechanism of control was cumbersome and inelastic, and could not adapt itself quickly to changed conditions. After a while credit to industry was restricted, but only as regards those forms considered most desirable, against goods and the contingency of goods being produced. Worse still, the discounting of bills was stopped altogether. Thenceforth such credit as was available was devoted to the export trade and the reserving of grain, the consequence being that internal trade was starved of funds and the commodities manufactured in Spring and Summer could not reach the consumer.

Such in brief was the case against the management of credit. That the defects mentioned were in part responsible for the crisis there could be no doubt. The attempt to plan credit was a failure no less than the attempts to plan all other spheres of economic life. Yet, although economists emphasised the serious consequences of this failure, they agreed that the chief cause of the disparity of agricultural and industrial prices and of the breakage of the link between town and country was the flagrant misuse of monopolist power by state enterprise.

Restriction of credit having failed to bring about a sufficient lowering of prices, the Supreme Economic Council in November directed that all prices of manufactured goods should be lowered on the average by 23 per cent. A still larger reduction was insisted upon as regards certain commodities. At the same time additional goods were imported from abroad, though in small quantities lest the favourable balance, upon which currency reform depended, should be disturbed. The object of this last measure was to introduce to the market goods that could

be sold below the prices which the trusts demanded for their goods, thereby forcing them to liquidate stocks. Thus the socialist state was compelled to coerce socialist industry in order to avert collapse from defects which socialist theory regarded as peculiar to capitalism. The various remedies prescribed could not but deepen the general insolvency. Owing to high cost of production and overhead charges, many of the trusts could ill afford to reduce prices. Yet, if warehouses were to be unloaded and the link between town and country renewed, further heavy losses were unavoidable.

As soon as credit was suspended the crisis became feverishly intense and exhibited sharply-conflicting symptoms. A number of trusts could not meet their obligations, and the banks were left with stocks of bills on their hands. If under capitalism private firms had defaulted to the same extent, they would instantly have suffered the penalty of extinction. A not less unhappy fate would also have befallen the trusts in Russia had effect been given to the decree that all state enterprises should survive only if they yielded profit. But in the midst of a crisis so overwhelming such a condition was unenforceable. Thus was frustrated the whole purpose of the New Policy—restoration of the rule of the balance sheet.

In their desperation to show a profit, other trusts declared grotesquely high dividends, running up to as much as 175 per cent. in one instance. It was claimed that for the first time state trade and industry as a whole made a profit. An early estimate placed the profit for the year at 116 million rubles, a later estimate at 57 million rubles, and a still later one at 71 million rubles. It was calculated that industry fully recovered all that had been lost from selling out at low prices in the previous year and that it accumulated circulating capital to the extent of between one hundred and two hundred million rubles, most of which, it should be added, was extracted from the pockets of the peasantry. On the other hand, it must be considered that during 1923 industry

received loans from the banks amounting to 400 million rubles, and dotations from the state amounting to 110 million rubles. The sum set down as profit was clearly illusory, for it was the fruit of debt, much of which was destined never to be repaid, of the cruel constriction of supplies and of the outrageous distension of prices.

Hitherto I have spoken mainly of industrial aspects of the crisis. But it must not be forgotten that the chief market for manufactures was the country, where millions of peasants lived. While industrial prices had risen to unprecedented heights, agricultural prices had dropped to unprecedented depths. The opening of the scissors therefore was the consequence not merely of the catastrophic ascent of the one, but of the catastrophic fall of the other.

Under capitalism, disparity so wide could hardly have developed, for when traders found sales falling off they would have lowered prices, thus affording stimulus to agricultural prices and encouraging interchange between town and country. But soviet traders acted in a quite contrary manner. Rather than that they should not transact business on their own terms they refrained from transacting any at all. Persistently raising industrial prices, they so depressed agricultural prices that the peasants could not buy for the reason that it was not worth their while to sell. In a word, the purchasing power of the village expired.

Retaliation from the side of the peasants was slow in coming. Various courses were open to them. They could, for example, have diminished the area of sowing and the quantity of grain marketed. Or they could have replaced cereals by more profitable crops. But they resorted to none of these alternatives until Autumn approached. When sowing in Spring they could not foresee that by harvest time the gap between agricultural and industrial prices would widen to the extent that it did. Only when faced with facts were they moved to action. The Bolsheviks at once became apprehensive and took panic measures to coerce the trusts.

The cause of the peasants' delay in acting was their overwhelming numbers and the vastness of the space which they occupied. As one writer said, they were scattered "like dust" over the surface of Russia. Despite their fanaticism for organisation, the Bolsheviks were baffled whenever they strove to manage these multitudes. Attempts to spread co-operation encountered difficulty and obstruction. Capital was lacking and corruption and incompetence were widespread. Much less formidable was the problem of controlling the town population. The personnel and production of industry were smaller, more concentrated. In addition it was the sphere of proletarian activity and was therefore favoured by the state. Thus, conscious of privilege and power, it tried to impose its will upon the peasantry, to set up a dictatorship of the lesser over the greater.

It was considered that exploitation of the peasantry was permissible, that it was only right that agriculture, which had suffered the least from war and revolution, should yield up a considerable part of its wealth for the restoration of industry. But there were limits to the efficacy of this transfusion. Were these limits to be exceeded, the peasants, by shrinking acreage, would elude the giving up of more wealth, at the same time destroying much already created, and agriculture as well as industry would fall into decline.

Many secondary causes contributed to the lowering of prices of grain in 1923, the fundamental cause of which was the great disproportion between the production of agriculture and industry. Foremost among them was taxation. From the end of 1922 the Bolsheviks pursued a severely realistic policy towards the village. Hitherto they had relied upon the poor peasants for the furtherance of their revolutionary aims throughout the country-side, and at one time had conferred autocratic powers of control upon committees recruited exclusively from this class. These committees were now charged with corruption and dissolved. Such an accusation was not ill-founded, for

frequently these bodies had served, not their own class nor the state, neither of which had much to offer them, but richer peasants who freely gave them bribes. After their disappearance, taxation was greatly increased and its forms multiplied, in some regions as much as sixteen-fold. As a general rule an individual was required to pay a tax on his house, on each member of his family, and on each of his animals.

In 1923, fearing that if they were not punctual in their payments the harsh penalties which had been visited upon them in the previous year would be repeated, the peasants rushed to defray taxation. Consequently in a short time large quantities of grain were thrown upon a market of small capacity. Payment of taxation in kind was not abolished until December 11th; before that date a choice could be made between kind and money. In the earlier period the peasants preferred to pay with money, the reason being that it was profitable as well as convenient for them to do so. Taxation was payable in grain units or their declared equivalents in money. Until the introduction of calculation in chervontsy, these equivalents lagged behind market prices. Whenever the peasants sold grain in order to raise money for taxation they surrendered a lesser quantity than they would have done had they paid in kind; but since they wished to defray taxation within as short a time as possible, the effect was to intensify the glut and further to diminish prices that were already very low. Later when the peasants paid taxation in kind a similar condition resulted.

Another cause of depression was the inefficiency of the banking system. Something has already been said of the injury inflicted upon industry by this inefficiency. Greater still was that done to agriculture. The State Bank had too few branches, and was altogether unprepared for establishing connections with a widely scattered peasantry. Credit was pitifully insufficient and frequently ill-timed. In the early days of the harvest, for instance,

the peasants, compelled by urgent need, offered large quantities of grain, but the purchasing capacity of the state reserving organs and of the consuming population was extremely low and prices fell.

Not to a less extent than the banking system was the state reserving organisation atrophied by over-centralisation. As frequently as it failed to buy grain on offer, it was unable to furnish supplies to regions from whence a strong demand was forthcoming. Badly-devised railway tariffs led to uneconomic distribution. As a consequence large quantities of grain were diverted from regions of insufficiency to regions of superfluity.

In addition to being the chief victims of administrative chaos, the peasants were the worst sufferers from currency confusion. Until the chervonets reached the village in winter, they knew no other money than soviet money; and the major part of the losses occasioned by its depreciation fell upon them. State enterprise having dealings in grain shamelessly transferred such losses to the account of the peasants, who were always forced to accept prices from which were deducted sums for the currency depreciation that took place while grain was in transit from the centre, where a branch bank was located, to the place of reserve. This journey frequently occupied not days, but weeks, sometimes covering more than one hundred versts.

Rather than retain soviet money, the value of which was continually declining, the peasants sought to get rid of it by any means possible. One method by which they achieved this object was payment of taxation, another the purchasing of goods heedless of whether or not they had need for them. Then as the value of money shrank almost to nothing they ceased to make use of it altogether, and reverted to primitive barter.

The weakness of the economic link between town and country and the extent to which the country relied upon its own resources to satisfy its need for manufactured articles were strikingly revealed in statistics covering

1922-23. In that year, according to Professor L. B. Kafenhau, the total value of industrial production was 1,500 million rubles. Of that amount only 25 per cent. was consumed by the village, half the proportion so consumed in pre-war days. It may be mentioned that of the remaining 75 per cent., 31 per cent. was consumed by the army and various state organisations.

Mr. Groman, on behalf of the State Planning Department, prepared a table showing that of the 1,500 million rubles, which was the estimated value of industrial production in 1923, large or socialised industry accounted for 1,000 million rubles, of which 700 million rubles represented articles disposed of in the towns, 300 million rubles articles disposed of in the villages, whilst petty industry accounted for 500 million rubles, of which 100 million rubles represented articles disposed of in the town, 400 million rubles articles disposed of in the village. Of commodities of common consumption produced by large industry, seven-tenths were absorbed by the town, only three-tenths by the village. Of such commodities the individual townsman consumed six times more than the individual peasant. Of the production of petty industry the village absorbed four-fifths, the town one-fifth. According to another estimate the value of the production of large industry in 1923 was only 34·8 per cent. of the 1913 total, that is to say, it was 1,293·5 million rubles compared with 3,721·0 million rubles in the pre-war year; whilst the value of the production of petty industry in 1923 was 68·5 per cent. of the 1913 total, that is to say, it was 500·0 million rubles compared with 730·0 million rubles in the pre-war year.

All petty industry was privately owned. It was in the hands of kustari, artisans, and village workers. The figures just quoted showed that the peasantry relied upon private enterprise to a far greater extent than they did upon state enterprise for the satisfaction of their needs in manufactured articles. War and revolution had destroyed the main arteries of trade, but not trade itself.

Through innumerable small channels the products of petty or individual industry were dispersed throughout the countryside. Private enterprise was therefore more considerable in the village than in the town, but in the town it was also formidable. Always the assortment of goods which it offered was wider than that of goods to be found in state shops. Less dilatory, less rigid than socialised enterprise, it deserved its success. A very large proportion of the commodities produced by state industry reached the consumers through the medium of the private trader. Had it not been for his enterprise the population would have lacked to a far greater extent than it did the common necessities of life; for state distribution was a miserable makeshift, not a serious system. The co-operative societies which should have effected distribution suffered not less than all other socialised organs from the evils of swollen bureaucracy and excessive centralisation. Compulsory membership was not abolished until December 11th. Meanwhile those who belonged to the societies were forced to pay subscriptions but derived few benefits in the shape of goods. They were thus compelled to purchase a large proportion of whatever they needed from the individual traders. In the circumstances they were at the mercy both of state and private enterprise. Each produced little and exacted much. But of the two, private enterprise was the more dispersed, a circumstance that chiefly accounted for the superiority of its distributive mechanism. Hence it was in a position to prey upon necessity wherever this was to be found and to reap the large rewards that usually fall to middlemen. In the catalogue of extortion the entries against state and private enterprise were of equal length. To what has been already said regarding the evil doings of the one may be added one or two instances of exploitation by the other. Whenever purchases of grain were made on behalf of the government, payment was forthcoming in chervontsy. On such occasions the peasants had no use for this currency, the denomination of which was

too large for their needs. Yet when they changed it into soviet money they were forced to pay large commissions to intermediaries. The second instance of exploitation was illustrative of the manipulation of grain prices practised in all parts of the Soviet Union. In August in Lugansk one hundred million soviet tokens were paid to the private merchant for a single pood of grain; only twenty versts away, thirty poods could be obtained for the same sum.

It was evident that the methods adopted to hold private trade in check had failed. Of these methods the chief was taxation, which was devised as much for the repression of individual enterprise as for the production of revenue. In the country there was a single agricultural tax. From the beginning of 1923 the system in the towns was drastically revised. An income and property tax was then introduced. In capitalist countries income tax is based upon the capacity to pay, allowances being made for children, for expenditure upon education, and for other circumstances. In Soviet Russia it was difficult to assess real incomes. During the earlier period of the revolution, mortgages, deeds, insurance policies, and all other material that would have enabled such assessment to be made, disappeared. They came back with the New Policy, but owing to insufficiency of time and economic confusion, only to a very limited extent.

A person liable to taxation was required to fill up a form giving explicit details of his income, dwelling, family and possessions. This form, which had to be countersigned by the President of the Committee that controlled the house or block of flats where the declarator lived, was regarded not as a basis of assessment but merely as an indication of economic status for official guidance. For the actual purpose of assessment the Commissioner of Taxes in every district compiled a typical budget for the families of each of the three conventional groups: rich, middle, and poor. If, in the

opinion of the inspector concerned, a citizen represented his income as lower than it should be, his declaration was set aside, and he was assessed according to the higher standard budget of the class to which he belonged.

Nearly all immovable property, as, for example, land and buildings, having been socialised, the property tax applied chiefly to movable property. Not of sufficient importance to be a separate imposition, it was incorporated with the income tax, and was levied on jewellery, articles made of precious metals, carriages, furniture and other domestic objects "not commonly used in average households," such as, according to the official definition, "gilt furniture, expensive pictures and vases." Householders were required to declare the value of property liable to taxation. Inspectors were entitled to question them or witnesses on their behalf, or to visit dwellings and make valuations on the spot. As a consequence of the tax, many homes were stripped of adornments, large quantities of which were either hidden or offered for sale.

Owing to currency depreciation, values were constantly changing, and it was therefore impossible for anyone to appraise his income far ahead. For that reason the minimum income liable to taxation was fixed each half-year, not each year as is customary in other countries; property was likewise valued each half-year.

For the last half-year of 1923 income tax graduated from 2.6 rubles on a minimum taxable income of 152 rubles up to 480 rubles on incomes of 4000 rubles, whilst property tax graduated from 1.5 rubles on the same minimum up to 60 rubles on assessments of 5,000 rubles.

In addition to income and property tax, there was a tax on turnover, an imposition that could be repeated by any local authority desiring to do so. This tax applied to all private enterprise, no matter how insignificant in character. Up till July 25th, 1923, it amounted to 3 per cent. of the turnover of all enterprises other than those dealing in luxuries; producers of

luxuries were required to pay 6 per cent., traders in luxuries 12 per cent. From the date mentioned variations were introduced, some idea of which may be derived from the following rates: public baths $1\frac{1}{2}$ per cent.; chemists, undertakers, theatres, music-halls (with the exception of the more popular ones), photographic studios, milliners, wholesale traders in toilet articles and in artistic objects, 3 per cent.; information bureaux and billiard saloons 5 per cent.; cafés, restaurants and taverns, 6 per cent.

All individuals making a livelihood, with the exception of manual workers, recognised as proletarians and intellectual workers of the lower grades, were required to pay a tax on their earnings which corresponded with the turnover tax on trade and industry. This tax could also be duplicated by local authorities, and the number of occupations to which it applied was varied and considerable, including, for instance, shepherds, fishermen, cab-drivers, doctors, authors, musicians, artists, engineers, lawyers, managers of banks and directors of trusts.

Each enterprise and each individual subjected to taxation in the forms just mentioned was required to hold two licences, one from the central government, the other from the local authority. The period covered by the licences was six months, and their cost was deducted from taxation. For all enterprises engaged in the production or selling of luxuries and for cafés and restaurants the licence charges were extremely high, ranging from 50 to 250 per cent. above the normal amounts. In the case of petty enterprise the number and character of commodities that could be dealt in were stipulated.

Lenin had said that the New Policy would be a trial of strength between state and private capitalism. Taxation as formulated in 1923 removed all possibility of fairness from such a trial. In addition the authorities brutally exceeded their powers. Frequently they imposed taxation beyond the legal limits; few citizens had the courage to protest, and those who did were promptly arrested.

The aspect of Russia at this period was hopelessly dismal. One of the chief aims of taxation was to repress luxury and excess; but too often no distinction was made between luxury and the common attributes of civilisation or the simplest objects of beauty and refinement. Attempting to conquer extravagance, the Bolsheviks destroyed the decorative side of life and created a wilderness of shabby uniformity, in the darker places of which vice flourished in forms far more morbid than any known before. The effect upon the mentality of the population was visibly distressing. Since men were forbidden to be joyful in public, they felt depressed wherever they happened to be. All were conscious that they lived by licence of the state, that their every activity was prescribed and spied upon. Private commerce became almost conspiratorial. Yet despite all the persecution to which it was subjected it triumphed over state enterprise.

The growth of private commerce meant the growth of private capital. It was impossible to form any intelligent estimate as to the amount of this accumulation. Because so much of it took place beneath the surface the Bolsheviks felt that they were being undermined by inaccessible forces, and that the country was fast travelling away from and not towards socialism.

Yet while there was little advance towards collectivism, in 1923 certain branches of economics showed slight improvement. Such improvement, it should be noted, was due to relaxation, not realisation, of Bolshevik theory. National finances assumed a less distorted form than they had done the year before, and for the first time during Bolshevik rule a favourable balance on foreign trade was secured. Progress was also made as regards measures indispensable for the stabilisation of the currency. The budget deficit was 40 per cent. of the total expenditure compared with 83 per cent. in the previous year, and receipts in kind amounted to only 11 per cent. of all receipts, compared with 55 per cent. in 1922. But

currency emission was still resorted to for the purpose of meeting the budget deficit, the amount issued being 357 chervonets rubles; and again the gold reserve was drawn upon, this time to the extent of 50 million rubles.

Expenditure for transport, trade, and industry exceeded revenue from the same source by 434 million chervonets rubles (£43,000,000). Of the total expenditure, administrative costs accounted for nearly half.

The favourable balance of foreign trade in 1922-23 amounted to about 30 million rubles. In the previous year there had been an unfavourable balance of 266 million rubles.

The value of imports in 1922-23 was 202 million rubles, compared with 375 million rubles in 1921-22, and 1,374 million rubles in 1913.

The value of exports in 1922-23 was 232 million rubles, compared with 109 million rubles in 1921-22, and 1,520 million rubles in 1913. It should be explained that the figures quoted for 1921-22 and 1922-23 are calculated in current values.

The whole volume of foreign trade in 1922-23 was six times less than in the pre-war year, 1913. A favourable balance was secured by curtailment of imports and expansion of exports. A continuation of the favourable balance in the following year was essential if the stability of the chervonets in relation to the pound and dollar was to be maintained and currency reform as a whole achieved. It was essential also if foreign currencies were to be obtained for the building up of industry and agriculture.

The true economic condition of the country was disclosed in a preface written by Rykov to a book on the question of wages, the author of which was Mr. Khalatov. "We must recognise in this, the third year of the New Economic Policy," he said, "that the success of the past two years has been insufficient. It affords no guarantee that the diminution of fixed and circulating capital will be arrested, or that a start will be made with the expansion

of the productive forces of the republic." Thus six years after the Bolshevik seizure of power the wealth of Russia was still declining.

Hitherto industry had survived upon the accumulation of raw materials handed down from the old régime, and upon the colossal loot of the revolution. But vast though this inheritance was, it was not inexhaustible. After years of profligacy it was now within sight of vanishing. Thus the Bolsheviks were forced to the conclusion that state capitalism without capital was unrealisable. Numerous attempts to obtain funds abroad met with no success. Oil concessions in the regions of Baku, Grozni, Emba, Kuban, Turkestan were offered to foreigners, but under conditions such as proved to be unacceptable. Just when it was feared that a surrender to international capital would have to be made, the idea was conceived of securing foreign currency by renewing the export of grain, which had ceased ever since the outbreak of the revolution.

Inasmuch as four-fifths of the population got their livelihood from the soil, the most important factor in Russian economics had always been the harvest. It determined the whole well-being of the country, the amount of produce available for export, and the rate of development of both agriculture and industry. Before the war Russia contributed one-fifth of the world's export of grain; in 1914 cereals accounted for 37 million out of 88 million pounds, the value of all exports.

The harvest of 1922-23¹ was more abundant than had been expected. Calculated in pre-war prices, the value of agricultural production as a whole was 8,700 million rubles compared with 6,200 million rubles in the previous year, or 70·3 per cent. of the pre-war amount. Of this production 61·7 per cent., or 15 per cent. more than in 1921-22, was marketed. The gross yield of cereals was 3,304·6 million poods compared with 3,854·7 million poods in 1916. The area under wheat was slightly

¹ The Economic Year in Soviet Russia began on October 1st and ended on September 30th.

enlarged, but production remained approximately the same as in the previous year.

At one time the Government looked forward to a large revenue from trade in cereals. But, for reasons fully explained in the earlier part of this chapter, prices fell; by midwinter they were the lowest within memory. In the village there were only sellers but no buyers. No wonder the state granaries filled up, no wonder that as fast as reserves went in, values shrank. It was then that the Bolsheviks, realising that their only liquid asset of importance was perishing, conceived the idea of exporting wheat with a view to securing stable foreign currency. Discussion at once arose as to the amount available for this purpose. That a surplus was assured surprised many people. A little while before the government had informed the officials of the American Relief Association (A.R.A.) that millions of peasants were still faced with starvation, that there was insufficient food in the country to succour them, and that relief from abroad could not yet be dispensed with. When, therefore, these officials heard that the export of grain was contemplated they were naturally taken aback, and lost no time in making protestation to the government. The reply which they received was in these terms:

“The quantity to be exported is so small as to be of no significance when the vastness of Russia is considered. Owing to transport difficulties such quantity cannot be conveyed to the hunger areas. In any event starving peasants and unemployed workers cannot afford to purchase the surplus available. If it is not exported, therefore, it will go to rot.”

The American officials, who had intimate knowledge of the state of the country, could not agree that in all areas from which it was proposed to export grain, transport and other obstacles were so formidable as to preclude its removal to regions where famine still prevailed. They discovered that grain had actually been marked for export

from places close to these stricken regions, and also that preparations were being made to send abroad not a small quantity, as had been stated, but very large consignments.

Ultimately the Bolsheviks spoke out. "We urgently need cash or credit," they said. "We have tried to get a foreign loan and have failed. We must either have this loan or export grain. Perhaps you can arrange a loan for us."

The Americans inquired whether as collateral security the government would be willing to pledge all its liquid assets, including the crown jewels and church treasures. The churches had recently been stripped of silver ornaments which at the time it was said would be sold for the relief of the famine. At first the Bolsheviks agreed to the American suggestion, but later they replied that the church treasures had not proved to be so precious as had been anticipated, and that the crown jewels would not realise much.

Nothing came of the conversations. The Americans, rather than let millions starve, continued their relief work; and during 1923-24 the government exported 34 million poods of wheat and 20 million poods of barley,¹ and obtained a favourable balance on foreign trade.

The Bolsheviks complained that their conduct on this occasion was unjustly criticised. They insisted that since prices in Russia fell so low they acted wisely in exporting grain and thus securing stable foreign currency with which to purchase agricultural equipment, part of which might be diverted to the famine areas. The Americans on their side considered that it was senseless to convey grain from localities where people hungered to distant ports for shipment to foreign countries on the off-chance that the money thus obtained might be expended upon implements that perhaps would find their way back to help in the revival of agriculture in the regions from whence the grain originally came. Nor could they believe that it was reasonable that grain should be carried

¹ In 1913 Russia exported 647,800,000 poods of grain.

from the middle of America, across an ocean and two seas, to regions in the hinterland of Russia from which grain had been exported.

The Bolsheviks did not trouble themselves overmuch with the question as to whether there was enough grain in the country to feed the whole population. Since profit-making was now the basis of their policy, all that concerned them was whether the purchasing power of the population was sufficient for the acquisition of such supplies as might be available. When they discovered that it was not, rather than distribute the surplus amongst their own citizens, getting nothing in return, they preferred to sell it abroad, getting money in return. They urged that in so doing they were acting not differently from the old régime, that grain export had always been the mainstay of Russian agriculture, that in the past economic development had largely been achieved by wealth derived from this source, and that in former times it had been said that lowering of consumption was preferable to reduction of export.

These arguments were for the most part irrelevant. It could not be forgotten that when they contemplated the exporting of grain the Bolsheviks pleaded for a continuation of foreign relief, that the perpetuation of hunger was in no small measure the consequence of their deliberate conduct; and that if at any moment this conduct had been seriously modified, abundant capital would have been forthcoming for the restoration of agriculture and industry.

Expansion of exports was an indispensable condition of currency reform, and with currency reform was bound the survival of the system. Thus the dilemma in which the Bolsheviks were placed was grave; had it been less so they might have acted more humanely. Fearful of losing their power, they were driven to abandon to the charity of the capitalist system millions of the people in whose name the revolution had been made.

CHAPTER XXIV

THE NEW POLICY IN FULL OPERATION—SOME IMPROVEMENT—AN ABUNDANCE OF FOOD—PRICES IN THE SHOPS—MISERY IN THE TOWNS (1923-24)

THE farther the revolution receded from communism, the nearer it came to convalescence. In the financial year 1923-24 some improvement in the situation occurred. A budget deficit remained amounting to 180 million gold rubles; and again treasury notes and loans were issued in order to make up the balance. But the issue of notes was half that of the former year, and for the first time during the soviet régime loans took a monetary form. These loans, however, were of a forced character, subscriptions being obligatory alike upon trusts and individuals. In the former year loans had consisted of sugar, grain and other commodities.

The progress made was described to me at the Commissariat of Finance in the following terms: "In the first year of the New Policy the budget totalled 1 milliard rubles, in the second year 1 milliard, 300 million rubles, and in the third year (1923-24) 1 milliard, 750 million rubles. This increase is due not to growth of taxation, but of income, chiefly from state enterprises. In the first year of the New Policy taxation accounted for 400 million rubles, in the third year for 550 million rubles.

"In the first year revenue from state enterprises was 160 million rubles, in the third year it will be 800 million rubles, chiefly from railways.

"In the first year the budget deficit was 440 million rubles, in the third year it will be 180 million rubles.

"In the first year the deficit on account of railways was

140 million rubles, in the third year it will be 40 million rubles.

"There is now a deficit of 70 million rubles on heavy industry. It is confined to coal and metals. Last year there was a deficit of 120 million rubles on coal, metal and oil.

"Last year light industry gave no profit. This year we expect that it will yield a profit of 25 million rubles." It should be added that the subsidies to industry far exceeded any profits which the state derived from it.

The most notable event of 1923-24 was the passing of the dual currency. Soviet currency disappeared and a unified currency was composed from chervontsy and treasury notes. The progressive measures which led to this reform may be summarised as follows: In 1922 notes were issued, the one ruble denomination of which was equal to 10,000 rubles of all previous issues. This depreciation required that in their calculations the population should divide all sums by 10,000. But they did not take the trouble to do so, preferring to think in millions and to refer to the new note as "a million." In 1923 there was a further issue. On this occasion the one ruble note was made equal to 100 rubles of the issue of 1922 and to one million rubles of all issues which preceded it. Quickly it became known as "Soviet Money." In 1922 also, chervontsy or bank notes were issued. From this time two parallel currencies existed, the one fairly stable, the other rapidly depreciating. Between January and March of 1924 the soviet currency in circulation increased from 222,537.3 million rubles to 800,000 million rubles. Actually on the latter date in terms of pre-war rubles this enormous sum was not worth more than 13.1 million rubles. On March 7 a decree was issued, the effect of which was to fix the depreciation of the soviet ruble at one fifty thousand millionth part of its former value. About that time a Russian economist remarked to me: "St. Isaac's Cathedral in Leningrad was built of granite and

marble at a cost of £35,000,000 which in soviet money is equal to one-eighth of the price of an egg to-day."

In February of 1924 the Commissariat of Finance was empowered to issue treasury notes to the extent of one-half of the chervontsy in circulation, and in denominations of one, three and five gold rubles. Simultaneously, it was declared that the State Bank would accept or exchange these notes at the rate of ten ruble notes for one chervonets. On May 10 the old soviet tokens ceased to be legal tender.

Addressing the XIV Communist Congress, Zinoviev correctly described the economic situation when he said: "We have got rid of one crutch and are using a stick." Socialist industry continued to be incapable of producing a sufficiency of goods, and the prices of those goods which it did produce were exorbitant and the quality was wretched. Monopolist powers were made use of to a far greater extent than had been done under capitalism. Having expropriated the expropriator, the state at once stepped into his place, and perpetuated the anarchy which it had avowed to abolish. Some trusts traded exclusively with each other, wholly ignoring the public. Others bought stocks from state enterprises, regardless of the circumstance that they could be purchased more cheaply in the open market. Others, again, lightly abandoned the function for which they had been established, and engaged in quite new enterprises on their own account.

Although Bolshevism was the sworn enemy of middlemen, they continued to multiply and flourish. But whereas before the revolution they consisted solely of private persons, they were now composed of both private persons and state representatives. Often, in the passage from the socialist trust to the individual consumer, commodities were dealt with as many as fifteen or sixteen times; owing to excessive rentals, taxation and credit charges, overhead costs were fully five times higher than they had been before the war. The Central Statistical Department calculated that the overhead costs in

the retail trade amounted to 42 per cent. of wholesale prices.

Bribery was much practised by the officials of the trusts. Controlling as they did every branch of industry, they had many opportunities for illicit acquisition of money, and their salaries being small, they frequently found temptation irresistible. The workers, too, had but one idea: to get as much money for as little work as possible. Official data were published to show that whereas wages reached 62 per cent., the production of the average worker was 75 per cent. of pre-war production. But Dzerzhinski, then the President of the Supreme Economic Council, at once challenged these figures. "They are incorrect," he said indignantly. "Production is not 75 per cent., but only from 35 to 60 per cent. of pre-war." And Rykov bluntly added that the workers did not regard the factories and the plants as their own property, and were wholly indifferent to the welfare of socialist industry.

In support of his assertions Dzerzhinski cited the following data relating to certain industries:

Cotton Trust. 1913: Average monthly wage 18 rubles 75 kopecks; production of each man 19 poods; wages cost for each 100 units of production 98 r. 70 k. 1924: Average monthly wage 33 r.; production of each man $11\frac{1}{2}$ poods or 60 per cent. of 1913; wages cost for each 100 units of production 287 r.

Flax Trust. 1913: Average monthly wage 16 rubles; production of each man $41\frac{8}{10}$ poods; wages cost for each 100 units of production 338 r. 1924: Average monthly wage 35 r.; production of each man $31\frac{1}{10}$ pood or 64 per cent. of 1913; wages cost for each 100 units of production 1129 r.

Central Paper Trust. 1913: Average daily wage 73 kopecks; monthly production of each man $57\frac{6}{10}$ poods; wages cost for each unit of production 1 r. 27 k. 1924: Average daily wage 1 r. 94 k.; monthly production of each man in October and December 1923,

poods; wages cost for each unit of production in 1924, 6 r. 70 k.

Dzerzhinski continued: "All the heavy industries, all the railways are far behind pre-war level. The workers must be told that wages can only be raised by increasing the volume and lowering the cost of production.

These remarks caused a stir. It offended Bolshevik self-esteem that one so highly placed as Dzerzhinski should demonstrate the falsity of official statistics.

Complete irresponsibility was, indeed, the characteristic of soviet society. The state exploited the community, and the community exploited the state. Only when the trusts were allowed to indulge in extravagance did they become conscious of independence. The moment insolvency came they regarded themselves as dependants on the state, and rushed to the treasury for aid.

Despite that many factories had ceased operating, the output of those at work was far below the capacity of their plants. Still more factories were now closed, and rigorous concentration was practised. As a result production was raised to some extent, and cost was lowered. After a while industrial prices dropped, agricultural prices rose. The index of wholesale prices published by the State Planning Department was as follows:—

INDEX NUMBER (1913 = 1)

	Oct. 1, 1923.	May 1, 1924.
Agriculture	0.54	0.93
Industry	1.72	1.31

The movement of retail prices during the same period was as follows:—

	1923.	
Agriculture	0.67	
Industry	1.35	0.92

The narrowing of the gap between industrial and agricultural prices led to an increased interchange of commodities between town and country. Not since the days of Tsarism had supplies been so abundant. One

food shop after another opened; and all were crammed with the rich edibles for which Russia has ever been famous. Many restaurants also started business. They had none of the luxuriousness of former times. Most of them were plain, shabbily-furnished rooms; but, as the following typical example shows, their menus were varied: radishes in cream, 1s. 11d.; caviare, 1s. 11d.; fish salad, 1s. 11d.; sturgeon, 1s. 11d.; goose with cabbage, 2s. 3d.; sucking pig with kasha, 1s. 11d.; kidney soup and pickled cucumber, 1s. 11d.; sterliat, 3s. 6d.; meat cutlets, 2s.; roast duck, 3s.; mushrooms in cream, 2s. 6d.; peas in butter, 1s. 6d.; beefsteak, 3s. 3d.; pork cutlets, 3s. 3d.; chicken cutlet, 4s.; coffee, 10d. per glass; tea, 8½d. per glass. At the principal state store in Moscow a regular dinner consisting of fish, meat and kasha could be had for two shillings.

In the shops ordinary food of all kinds was fairly cheap. Rye bread was 1d. per lb., white bread 4d. per lb. The floors of many restaurants were littered with fragments of bread. Butter could be bought for 1s. 6d. to 2s. a lb.; cheese from 1s. 7d. to 2s. 5d. a lb.; caviare for 6s. to 12s. a lb.; and Scotch herrings for 10d. a lb. Fruit was dear: oranges cost from 4s. to 8s. for ten; apples 4s. for a like number.

Clothing was expensive. Prices in the chief state store were as follows: man's suit, £14 10s.; overcoat, £6 to £8; cotton shirt, 12s. to 14s.; pair of boots, 18s. to £4 10s.; simple cotton dress, £9 10s.; dresses of various kinds (poor styles), £16 10s.; lady's boots, £1 10s. to £7 5s. The quality of most articles was bad; that of the lowest grade extremely bad.

¹The foregoing prices showed that although the economic situation had improved, life was still very difficult. Food was abundant and not dear, but the prices of other necessary commodities were exorbitant and the supply very inadequate. Money was extremely

¹ All prices mentioned in this chapter were noted down by the author on the occasion of a visit to Moscow.

scarce. Had the currency in circulation been equally divided amongst the population, each person would have possessed less than 6s. But in socialist Russia, as in capitalist countries, no luxury was beyond the reach of those who were well off, only in Russia the number of fortunate people was extremely small.

In Leningrad and Moscow the wages of a worker were said to be equal to pre-war level. Cost of living was more than double that of 1913. Elsewhere than in Leningrad and Moscow wages were 60 per cent. of the pre-war standard. According to the returns of the Central Statistical Department the average yearly income of a worker was £74; of an employé £87; of an unemployed person £31; whilst the average incomes for each household in the three classes of peasantry were as follows: poor £28; middle £49; rich £129. Information from the same source showed that the average yearly income of the town bourgeoisie class, which had been reduced to a quarter of a million individuals, was £386. Petty industrialists and speculators were the wealthiest members of the community. Their incomes ranged from £700 to £900 annually.

Out of an urban population of close on thirteen millions fully two-thirds consisted of the families of wage-earners in the service of the state. A few, because of high qualification, were well remunerated. Specialists of all kinds were much needed, but the state could only employ a limited number. Many engineers, agriculturists and doctors swept the streets for a livelihood, or worked as labourers or porters. Despite the fact that privileges were granted to them, the proletarians were in some respects the worst off, for they lacked the training which would have enabled them to make the most out of the money which they received. Yet, apart from this consideration, they were wretchedly paid.

Dzerzhinski said: "The wages of the Russian workers are too low, not only to satisfy their growing demands, but even to secure for them the primary needs

of life." And Zinoviev added: "The question of wages is a sick question. Only the development of industry as a whole can solve the problem."

At intervals the trusts fell deeply into arrears with wages, and for long periods workers received nothing at all. As a consequence they also got into difficulties. Many of them could not keep up their contributions to the trade unions, nor pay cash for the necessities of life. Credit vouchers were distributed by the trusts which enabled the recipients to obtain goods at all state shops on the instalment plan, payment being made in the form of deductions from wages.

Unemployed persons on the registers reached $1\frac{1}{2}$ millions; actually the total without work was considerably larger. At all times, and more than ever during the period of the revolution, there were vast numbers of people in Russia on the border-line of destitution who lived precariously by doing whatever tasks came their way. Only employers were liable to contribute to the unemployment insurance fund; and these employers consisted mainly of state enterprises which were insolvent. Hence they got into arrears; and only 15 per cent. of those out of work received anything at all, and then not more than £1 per month. In many towns people slept outside the labour exchanges all night that they might be at the head of the queue of applicants in the morning. Despite the confiscation of the large estates, there was an insufficiency of land, and hordes of young peasants were forced to leave the village and search for a livelihood elsewhere. They flowed into the towns in an unending stream, and rest houses had to be opened near the railway stations in order to afford them shelter.

Socialised industry could only absorb a small proportion of these newcomers to the town; the remainder were reduced to mendicancy. At that time Russian wage-workers numbered at the outside not more than 3 millions out of a total population of 60 million able-bodied men in the country. Of state officials there were $1\frac{1}{2}$ millions, or

one official to every two workers. The burden of maintaining this vast bureaucracy was one of the chief reasons for the insolvency of socialised industry.

The New Policy was now in full operation. When introducing it in 1921 Lenin had said that it would lead to a condition in which private enterprise and state enterprise could exist together. To what extent had this aim been accomplished? In 1923-24 the total industrial output was valued in current prices at 3,410 million rubles, of which 75.3 per cent. represented socialist production, 24.7 per cent. private production. If large industry be considered alone, then socialist production was as high as 94.9 per cent. In agriculture the proportions were reversed; here private enterprise accounted for 86.1 per cent. Of wholesale trade the state transacted as much as 78.2 per cent., of retail trade only 41.4 per cent. It was in the retail trade, therefore, that the strength of the private trader lay. Yet at all times his hold was extremely precarious; for at any moment his business might be closed and he himself exiled to a far region. Because such incidents were frequent, shopkeeping became an adventure in which only daring members of the community engaged.

Life presented sharp contrasts. Whilst shops were loaded with food or stocked with articles sold to procure food, all with the exception of speculators were poor, and many were hungry. Of equality there was none, for some were poorer than others. Thousands of half-naked beggars loitered in the streets.

Although money was scarce, that it existed at all and had value caused the population to engage in feverish energy, much of which was fruitless. Visitors to Moscow got the impression that the city was on the way to becoming a second Chicago. People lived for a day. After the long deprivation of the revolution they had neither the desire nor the capacity to spend wisely. Communist jargon was still spoken, communist mottoes still remained. But everyone regarded communism as a nightmare which

had been lived through, and none imagined that it could ever return. Individualism was assertive; each was for himself.

Again women thought of dress; fashion illustrations passed from hand to hand. A "clean public" suddenly appeared. It was evident that a new bourgeoisie was forming, a class of vigorous vulgarians who believed that the revolution had been made for no other purpose than to bring them out. The Bolshevik leaders anxiously watched its growth, for they feared that if not checked it might swamp them.

Most people were undermined in health, but epidemics had ceased. No longer was every home a mortuary. Death became unexpected and solemn. Emotions once chilled by horror revived. Both joy and sorrow were strongly felt again.

Observant foreigners could see that life was still bad. But whenever they offered sympathy, usually they were answered: "It is beautiful compared with what it was." Although existence was bearable, the economic system still rested upon swaying foundations; and there was no sign as yet of that harmony of interest between the peasantry and proletariat the achievement of which was the fixed purpose of Bolshevism. It was true that industrial prices had been brought down to some extent. But they were still much too high for the slender purchasing power of the village. It was stated at the XIIIth Congress of the Communist Party in 1924 that only 30 per cent. of factory production was distributed in the towns; and that half the villages had no shops. The excessive absorption of manufactured goods by the urban population was an unhealthy symptom, for it was largely a consequence of the extravagant dispersal of state funds—in other words, of the purchases of state workers whose remuneration was disproportionate to their services, and of a wholly parasitical section of the population—superfluous bureaucrats.

From all aspects it was of vital importance that the

Bolsheviks should get as much produce as possible from the peasants. Apart from the fact that the host of state dependants had to be fed, neither industry nor agriculture could thrive without increasing interchange of commodities; and of the two, industry, in which the dictatorship was rooted, had the greater need for this interchange. The whole structure of foreign trade was also involved. It was essential that a favourable balance should be preserved; for only in this way could the cover for currency be maintained. The year 1923-24 was the second occasion during the revolution when such a balance had been obtained. Two-thirds of the exports then consisted of agricultural produce; if such proportion were seriously diminished, the balance would be endangered.

Efforts were directed towards extending the area under grain. During 1924 11 million acres were added to this area, but the harvest proved to be 142 million poods below that of the previous year.

CHAPTER XXV

MONETARY REFORM—INTRODUCTION OF THE BANK-NOTE
—TWO CURRENCIES IN CIRCULATION—SPECULATION
BECOMES GENERAL—DISAPPEARANCE OF SOVIET
MONEY—ISSUE OF TREASURY NOTES (1922-24)

FOR much of the information contained in the present chapter I am indebted to Professor A. N. Yurovski, one of the experts responsible for currency reform, to whom I was referred by the Commissar of Finance¹ on the occasion of my visit to Moscow.

Currency reform was a notable achievement of the New Policy. Allusions have already been made to it in separate chapters; a complete narrative of its progress remains to be told. The basis of reform was the introduction into circulation of a new monetary unit, a bank-note, called "the chervonets." A decree of October 11, 1922, empowered the State Bank to issue notes in denominations of one, three, five, ten, twenty-five and fifty chervontsy.

It was stipulated that only 25 per cent. of the notes issued at any period needed to be covered by gold or other precious metals, or stable foreign currency at its exchange rate in gold. But a promise was made that at some date yet to be named the bank-notes should be convertible into gold. This claim to pre-war status, shadowy though it was, immediately won a measure of respect for the new money.

It was provided that the remaining 75 per cent. of the chervontsy issued at any period should be covered by easily realisable commodities, short-term bills and other

¹ *Na Putiakh k Deneznoi Reforme*, by Professor A. N. Yurovski, People's Commissariat of Finance, Moscow, 1924.

short-term securities. It was this part of the currency, the part based mainly upon bills, that was considered to be a "managed" part. The theory of management was as follows:—bills and advances against easily-realizable commodities bore witness to the movement of values in the market. The State Bank facilitated such movement by issuing bank-notes (or chervontsy) against bills, in other words, by means of bills it estimated the need for money, and issued currency against goods actually in being and in demand, thus reducing to a minimum the danger of inflation.

The essence of the reform was that the chervonets should achieve and maintain equality with stable foreign currencies, in particular the pound. When the bank-note was first thrust into circulation no one had the least conception of its value. On the lowest denomination was inscribed that its value was equal to that of the gold contained in the old ten-ruble coin; but apart from this pretension there was nothing to indicate its worth. Since it was impossible to take the chervonets at its own estimation, means had to be found for demonstrating that it was not an impostor. Briefly, the aim of the State Bank was to create such conditions as would enable a chervonets to purchase a pound sterling. For this purpose it was necessary to have an adequate reserve of foreign currencies and to regulate demand and supply.

A favourable balance of foreign trade was indispensable for the success of reform. In the earlier period of the revolution such balance had been out of the question. Unfortunately famine coincided with the introduction of the New Policy and made matters worse. Equipment and food were urgently needed from abroad, and they could only be paid for with gold, not with goods. But towards 1924 the situation improved; and for the first time an active balance was obtained. Yet in itself this circumstance was not sufficient to guarantee success of reform. Foreign currencies were needed not merely for making payments abroad but also for replenishing the

gold reserve. The State Bank made large purchases of these currencies, and at the same time with a view to facilitating accumulation, and so assuring the stability of the chervonets, measures of control were introduced.

In the period of War Communism the laws relating to currency were simple and direct. All gold and precious metals, no matter in what form, were liable to confiscation, and all private transactions in foreign currencies were prohibited. When the New Policy was initiated the law on the subject was not changed; but it was allowed to lapse to a certain extent, though to what extent none knew. Between October 20, 1922, and April 19, 1923, new laws were promulgated. Individuals were given liberty to engage in currency transactions. It was laid down that such transactions should take place on the bourse or with credit establishments having authorisation, but this restriction was not wholly enforced.

The new law also stipulated that state and co-operative enterprises could only acquire foreign currencies with the consent of the Commissariat of Finance, and that those state enterprises engaged in export trade must become members of the stock branch of the goods bourse, a privilege that carried with it the right of participation in currency transactions. Further, it was provided that no payments should be made in foreign currencies other than those requisite for transactions abroad, that all foreign currencies should be deposited with state credit institutions, or with official trade representatives abroad, that the State Bank should have the right to purchase all foreign currencies received in payment for exported goods, at the rate of exchange determined by the stock branch, that no individual should transfer abroad foreign currencies of a value exceeding 200 rubles and that foreign currencies above that sum should only be so transferable if needed for the payment of goods, the importation of which had been authorised.

The object of the law was to prevent the accumulation

or hoarding of foreign currencies by state and co-operative establishments, to concentrate these currencies in the State Bank or other credit institutions, and to regulate the demand for them according to the size of imports determined by a prearranged plan.

It was impossible to imagine a government in a better position to enforce currency or any other reforms than was the Soviet Government. Its power was despotic and could be extended at will. It dealt with a relatively few large undertakings, all of which were owned by the state and managed by nominees of the state. Yet the currency laws were never wholly carried into effect. In practice control proved to be complicated, and sometimes the consequences were unexpected and embarrassing. At one period, for example (the beginning of 1924), the influx of foreign currency greatly exceeded the absorption capacity of the market. It happened that the State Bank had no means at its disposal wherewith to purchase these chervontsy, a transaction which it was requested to undertake and which it was bound by law to undertake. Apart from its desire to fulfil this obligation, it was anxious not to involve the state export organisation in difficulties. Consequently, it issued notes for no other purpose than that of acquiring the foreign currency. But such currency was not needed as cover for bank-notes; nor was the issuing of bank-notes justified by the condition of the market. In these circumstances a fall in the purchasing power of the chervonets could not be avoided. Mention is made of this incident in order to show how complicated was control, and how surprising were the results on some occasions.

Complication was also caused by the fact that soviet money, the emission of which remained in the hands of the treasury, was the basic currency of the country. The rate of exchange between the pound and the chervonets was determined by the valuation of both in terms of this soviet money. It became necessary, therefore, to regulate the rate of exchange of the chervonets. Regulation was

effected by offering foreign currency or by purchasing chervontsy. If, for example, the rate of the chervonets as expressed in soviet rubles were lower than that of the pound, as also expressed in soviet rubles, the State Bank could bring about equalisation by offering sterling exchange at a price equal to the lower rate of the chervontsy. Thus the owner of a pound was induced to part with it because he secured not merely a chervonets but some additional chervonets kopecks in return. Another method of achieving the same object was for the State Bank to acquire all the chervontsy on the market at the lower rate, making use of soviet money supplied for the purpose by the treasury. Since the trusts were required to liquidate their debts to the bank with chervontsy, a need for them existed.

Divergent views were held by soviet economists as to the true nature of the chervonets. One school argued thus :—the chervonets has no peculiar merit of its own ; it does not differ from treasury money. Its course is artificially created and upheld by treasury emission, otherwise soviet money. Take away this prop and the chervonets will collapse.

The opponents of this school answered :—It is true that the chervonets entered into circulation leaning on treasury or soviet money. But later it stood upon its own feet. After Autumn of 1923 the support given to it by soviet money was of a secondary character. For the purpose of credit operations the Commissariat of Finance then increased the emission of soviet because they considered this course preferable to undesirable issues of chervontsy. By the end of 1923 soviet currency was so hard pressed by chervontsy that it was incapable of fulfilling any other function than that of providing small change, and remained locked up in that sector of money circulation which because of its larger denominations the chervonets could not possibly reach.

Chervontsy were first issued on October 11, 1922 ; by the beginning of 1923 only 356,245 were in circulation,

A number of reasons accounted for this slow growth. At first the Commissariat of Finance restricted issues that soviet money might not be dealt too swift a blow. At first also trade circles made sparing use of the new currency. They looked upon it not as money but as an easily-realizable security convenient to hold. No measures were neglected which might popularise the new bank-note. Loans of the State Bank to the trusts were paid in chervontsy, which, however, were promptly returned to be changed into soviet money. Later it was decreed that taxation which was fixed in terms of soviet money should be payable with chervontsy at the prevailing rate of exchange, and ultimately state enterprises began to accept chervontsy in all retail transactions. But it was not until the end of 1923 that the bank-notes came to be generally recognised as money. Even then soviet currency continued to be widely in use, and the State Bank was required to change very large quantities of chervontsy for this currency.

At the beginning of 1923 the purchasing power of the chervonets was considerable. As regards wholesale trade it was higher than that of gold in pre-war days. But from May to September it declined to 75 per cent. of pre-war gold. Yet even at this level it was above the purchasing power of gold in countries having stable currencies. In the retail sphere the chervonets was of less value, a circumstance explained by the economic crisis that occurred in the Summer of 1923. State trusts profiting by their monopoly of the market, and strengthened by credits from the State Bank raised prices to such an extent that purchasers for goods could not be found. Failing to secure their own terms, they kept these goods locked up in warehouses. In order to compel them to change their policy, credit was restricted at first moderately and then mercilessly. The consequence, in conjunction with the enlargement of the grain market due to a good harvest, was to raise the purchasing power of the chervonets in September and October. But a

decline again set in during December and January, the causes being shrinkage of trade, growth of agricultural prices, and the crisis of soviet money.

At first the foreign exchange rate of the chervonets was high, and in March parity with the pound was achieved. Two months later, consequent upon complications with England, a fall took place; and subsequently slight fluctuations occurred. But the average for the whole year was 1·01 chervonets. Thus in one sense the primary aim of reform was attained; a condition had been reached when a pound sterling could be bought for a chervonets. The movements of the rates of the chervonets in terms of foreign currencies differed from its internal purchasing power. Soviet economists considered that such divergence was quite natural and could continue for a long time. Despite the legal prohibition of private dealings in foreign currencies a free market for them always existed; and usually the free rate of the chervonets was below the official rate. But at no time during the 1923-24 period was the margin between the two great.

It has been said that, together with the issuing of chervontsy, the emission of soviet money continued. Each month this emission varied, but during the last quarter of 1923 and the first two months of 1924 it reached enormous proportions.

In September the amount issued was 6,017·4 million rubles, in October 30,890·8 million rubles, in November 45,246·6 million rubles, in December 79,670·5 million rubles, in January (1924) 154,508·3 million rubles, in February 467,000 million rubles.

While the aggregates were smaller, speed of issue was much greater than in 1922. The results achieved were poor. During four months only, March, April, October and November, higher values were obtained than those yielded in the corresponding months of the year before. As regards March and April, comparison was hardly justified, for during those months of 1922 famine caused

an appalling shrinkage of goods turnover. For October and November of 1923 the total value of emission was 62 million rubles, only 12 million rubles more than that of emission during the same months of 1922.

From May to November the fall in the value of all soviet money in circulation was continuous. After but a short respite shrinkage was resumed in December and continued more rapidly than before. Two months later the value of soviet currency dropped to 20 million rubles. This depth had only once been reached before, in July 1921, when it was believed that money had almost expired. Again a situation was brought about when prices grew at a quicker rate than soviet money could be issued. Comparisons with the preceding year yield instructive data. In the first quarter of 1922 the effect of the famine was still felt, and production was extremely low. Hence prices increased more rapidly than did the emission. In the first quarter of 1923 the effect of a good harvest was felt. Hence prices increased less rapidly than did emission. In succeeding months the situation was much worse than during the same period of 1922. Growth of prices then greatly exceeded growth of emission. October provided an exception, the reason being that the system of taxation in kind was coming to an end.

The issues of soviet money in 1923 and the early part of 1924 were required for purposes other than that of meeting budgetary deficits. One of these purposes was to alleviate an acute shortage of small change, another to supply large credits for financing the grain reserve. Chervontsy had already been issued to an imprudent extent, and consequently their purchasing power had been lowered. The only alternative left, therefore, was to fall back upon treasury emission, for it was imperative that as much advantage as possible should be taken of the harvest. But the effect was extremely harmful to soviet money.

It was natural that holders of the worst money, soviet

money, should change it for the best money, chervontsy. That this process developed slowly in the beginning was explained by several peculiar circumstances. Peasants, particularly those in remote parts, slowly became acquainted with the existence of the new bank-note. Even so, many could not bring themselves to believe in its supremacy. They had grown accustomed to soviet money, and despite the fact that it was continuously depreciating they retained a preference for it. Then the lowest denomination of the chervonets was ten rubles. Trade required small-change money, and this could only be supplied in the form of soviet money. Hence the life of the worse money was preserved in a restricted sphere where it did not compete with the better money; in other words, the currency became divided into two compartments, the one occupied by the chervonets fulfilling the demand for larger denominations of money, the other by the soviet notes, fulfilling the demand for smaller denominations of money.

There was a time when some experts believed in the possibility of the two currencies living harmoniously together. No one then had a clear conception of the nature of the chervonets. It was not recognised as money. Nor was it regarded as a commodity in the accepted sense of the word. In reality it was a valuable "product" for which a demand existed, a convenient and trustworthy instrument of accumulation. One economist spoke of it not inaccurately as "a paper commodity for which there was a constant demand." But whatever it was, the bank-note certainly enlarged the turnover, and consequently the necessity for money. In these circumstances the chervonets, far from conflicting with soviet money, widened the sphere of this money and strengthened its status. But harmony between the two could only be short-lived. As trade and production grew, so the demand for stable currency became insistent. After a while the chervonets entered into rivalry with soviet money, and this rivalry became

How was the conflict waged? And how was the relationship of one currency to the other resolved? Comparisons with systems of bimetallism at once suggest themselves. Under what is known as a rated system of bimetallism where gold and silver coins are in circulation a ratio between the two is fixed by law. When the market value of gold exceeds this standard, then the owners of gold coins can purchase with them a quantity of silver sufficient not merely to discharge their debts but to leave something over. In that case gold coin is converted into bars and silver is continuously minted until only coins of this metal remain in circulation. Hence the law of Gresham that the worst money drives the best from circulation is fulfilled. But under an unrated, as distinct from a rated, system of bimetallism, where the ratio between gold and silver coins is established by market valuation, the purchasing power of each is thus determined, and no question can arise as to the superiority of one over the other.

The chervonets was superior money to soviet money. Yet both were paper currencies and could therefore only be employed as circulating media. Unlike metal they could not be converted into material objects, useful and ornamental. If one pressed the other out of circulation, it was for reasons quite different from those which caused one metal to drive another out of circulation.

Whilst chervontsy remained fairly stable, soviet money tokens were depreciating. A ratio in value between the two could not therefore be fixed by the state. For that reason the currency system was considered to be an unrated system. Had it been so in reality recipients of soviet money would have been able to exchange it for chervontsy at the market rate without suffering loss; and soviet money would have survived to fulfil the function of small change. But events proved that the conflict between the two paper currencies could not be resolved so smoothly as theory implied.

All transactions concluded in chervontsy could be liquid-

ated either with chervontsy or with soviet tokens. An exception was made in the case of the State Bank, which was entitled to demand payment in chervontsy. It was essential for the transaction of business that the course of exchange should be determined by some competent authority. At first this authority was the stock branch of the goods bourse in each locality. Later it was decided to have an official quotation for the whole country, and the task of determining what this quotation should be was entrusted to the Stock Branch of the Moscow Goods Bourse. At a fixed time in every twenty-four hours a declaration of the rate was made. Owing to the fact that the soviet ruble continuously depreciated it frequently happened that a little later this rate no longer reflected the market value of the chervonets. Equalisation of the official and free courses was always difficult to achieve; sometimes the one, sometimes the other was in the ascendant. In the beginning, when depreciation proceeded slowly, such divergence mattered little, but in the second half of 1923, when depreciation quickened, it mattered much.

It has been said that all payments could be made in soviet money at the official rate of exchange. In making these payments therefore everyone strove to use soviet money in preference to chervontsy. Before meeting their obligations they sold chervontsy for soviet money in the open market where the rate obtainable was higher than that officially quoted; and whenever they received payment they hurried to get rid of soviet money which was continuously depreciating and were only too willing to pay a higher rate than that officially fixed for the day in order to exchange this money for chervontsy. Thus the official course was hopelessly handicapped, and could never catch up the free course.

Chervontsy tended to go out of circulation into accumulation. Worst of all, they became gambling counters. The population of the towns was seized with a passion for speculation which spread to some extent to

the population of the villages. Multitudes of citizens lived by speculation. The very existence of state enterprises became bound up with the manipulation of exchange transactions. Again firm calculation was difficult to achieve. No reliable estimation of overhead expenses could be formed. Profit or loss depended upon the caprice of the clock, upon the moment when chervontsy were purchased and deposited on current account. Shopkeepers were paid for their goods in soviet money according to the official rate. Since they were occupied from morning to night they could not change this money until the following day, and then only at the free rate. Thus they ran the risk of incurring two separate losses; one because they were compelled to retain overnight soviet money that was ceaselessly depreciating; the other because, having received payments in soviet money according to the official rate, they could only acquire stable chervontsy at the free rate. With a view to covering such losses prices were raised.

One party to a transaction strove to transfer losses to another. The state became divided against itself. Commercial enterprises hoping to shift their losses to the banks, sought to deposit soviet money on current account, according to calculations in chervontsy at the prevailing rate. The banks retaliated by insisting that the rate should be that of the following day; in other words, they wished to make such provision that their clients should bear the losses on exchange that were inevitable with the passing of time. But when the morrow came, if further losses were to be recorded, the soviet money had to be got rid of somehow. No wonder the banking system was severely shaken. Rather than make use of a stable unit for the purpose, state trusts paid wages with depreciating soviet money, and the workers at once rushed to convert this money into goods. The effect was to cause sharp fluctuations in the exchange.

In the country soviet money was supreme. Because of its large denominations, only the kulak or richer

peasant could find a use for the chervonets. But ultimately the majority of peasants endeavoured to do without money of any kind. They brought to market only such quantity of produce as they thought could be exchanged for a minimum of manufactured articles, and if a surplus was left over they took it back with them to the village. In these circumstances agricultural production shrank and agricultural prices grew.

Finally, a condition was reached when emission ceased to be profitable to the Government. Losses incurred from depreciation were tantamount to heavy taxation, which was borne, not merely by the population, but by state enterprise. Such taxation was rightly alluded to by Professor Yurovski as a "mechanical method of fictitiously balancing the whole of state economics."

As chaos increased traders were driven to the expedient of attempting to replace state money by substitutes of their own, by tickets and coupons, calculated on a gold basis, which could serve for the purpose of small change. In the end, soviet money swiftly depreciated. On January 1, 1923, its value was nine-tenths of that of all money in circulation; by February 1, 1924, this proportion had fallen to one-tenth.

Yet, in spite of the unfavourable conditions noted, the attempt to reform the monetary system achieved solid results. The introduction of a stable unit, the chervonets, led to an increase of money in circulation; the regulation of the foreign exchange rate facilitated the securing of foreign credits.

Although in relation to the whole volume of currency in circulation soviet money was of little importance, the effect which it exerted was extremely demoralising. Towards the end of 1923 preparations for a new reform were therefore made. This new reform was to consist of the replacement of soviet money by money expressed in gold. The moment was considered to be favourable for such innovation. Production was still below, and in some industries far below, pre-war level. But it was

increasing. And, as has been said, the goods turnover, and with it the need for money, had enlarged. It was estimated that if progress were to be maintained in 1924 there would be room for a much greater amount of money than was in circulation in 1923. A ground for optimism was the possibility that by the end of 1924 taxation in kind would be wholly superseded by taxation in money, thus raising the demand for currency.

Foreign trade was also a source of hopefulness. A favourable balance had been obtained in 1922-23, and it was expected that this would be repeated in the following year. Thus the fund of foreign currency was being replenished, and foreign currency was badly needed, not merely for making payments abroad, but as guarantee for the issuing of chervontsy and for accumulation in the state and other banks.

Finally, it was anticipated that the budget for 1924-25 could be balanced without the issue of paper currency.

The question was discussed whether the new money should be money issued by the treasury or smaller denominations of the chervonets issued by the State Bank. Objection to the last-mentioned course was based upon the consideration that it would involve allowing the treasury to borrow from the State Bank, a procedure which would diminish confidence in this institution.

The decision having gone in favour of treasury money, the further point was raised whether metal as well as paper money should be issued. Gold and silver coins had not been in circulation for ten years. The return of gold coin was out of the question. But it was considered that a revival of silver coin would be welcomed by the population, particularly the peasants, and would enlarge emissary possibilities.

In the past certain issues had merely consisted of old currencies under fresh names. It was important that the population should not get the impression that the treasury notes were of the same character. That these notes should be assured of reputable status, it was

resolved to make them legal tender for the discharge of all debts contracted in terms of gold. The financial system was familiar with precedents of that kind, as, for instance, payments for custom duties, taxation, and short-dated obligations.

On February 5, 1924, a decree was promulgated empowering the treasury to issue notes to the value of one, three, and five rubles in gold. It was laid down that the notes should be taken as legal tender at their gold nominal value in cases when payment was calculated in soviet money tokens, and that "the total volume of treasury notes which may be issued must not be in excess of half the volume of chervontsy which are in circulation."¹

The decree, it will be observed, declared that the notes should be taken as legal tender when payment was calculated in gold. It made no mention of a practice then very widespread, one identical with calculation in gold—calculation in chervonets ruble. A chervonets ruble was one-tenth of the value of a chervonets, a ratio officially fixed by the Stock Branch of the Moscow Goods Bourse and generally recognised in trade transactions. The new notes, therefore, entered into circulation leaning upon what in effect was one and the same thing, gold and chervonets calculations.

The essence of reform was indissoluble linkage between the notes of the treasury and the notes of the State Bank. The bank undertook only to employ cash in hand for exchanging chervontsy against treasury notes, and to refrain from issuing chervontsy for this purpose. Such cash was deemed to be adequate, provided that the treasury notes put into circulation were not greater than was demanded by the trade turnover. The limit of safety in this regard was defined by the decree of February 5, 1924, which stipulated that "the total volume of treasury notes in circulation at any time must not be in

¹ A decree was issued on August 1, 1928, to the effect that in some instances the proportion of treasury notes to bank-notes could be increased to three-quarters.

excess of half the volume of chervontsy which are in circulation."

The theory underlying this section of the decree was as follows:—the State Bank has at its command all the facilities for appraising the need of the trade turnover in money; the greater part of the issue of chervontsy is, in fact, covered by bills. The treasury has no such mechanism at its disposal. It is therefore unable to determine whether emission is justified or not. But if its issues are made dependent upon those of the State Bank the risk of inflation is reduced to a minimum, always provided that the bank itself pursues a prudent policy.

Between the issue of the new money and the fixing of the rate of redemption of the old money an interval was allowed to lapse, during which the trade turnover could take in the new money and the population become familiar with it. On February 8 the issue of treasury notes began, and a month later, on March 7, a decree was issued declaring that as from the 10th, 50,000 soviet rubles of 1923 issue should be the equivalent of one gold ruble, that is, of a one ruble treasury note. In its day the ruble of 1923 had been the equivalent of one million rubles of all issues up to 1921, pre-revolutionary as well as revolutionary. The decree therefore meant that the paper ruble had depreciated 50,000,000,000 times. For such depreciation there was but one modern precedent, that of the German mark. The assignats of the French Revolution depreciated only three hundred times. The severity of depreciation was strikingly apparent in relation to the smallest denominations of treasury money. A single kopeck of this money was equivalent to 500 soviet rubles, which in turn were equivalent to 500,000,000 of the older tokens. On May 10 soviet notes ceased to be general legal tender; and until May 31 were only acceptable at the head office and branches of the Commissariat of Finance and State Bank. With the disappearance of soviet money, a system of two parallel

currencies ceased to exist, and a single unified currency was established.

The reform of 1924 marked the final capitulation of Bolshevism to money and liquidated what was left of the currency adventures of War Communism. It was brought into existence by the insistence of traders, both state and private, that they should have a stable monetary unit in which to calculate their gains and losses. Thus no other course than return to financial orthodoxy was possible. In the beginning of the revolution the system was based primarily upon grain seizure or bread monopoly. Subsequently, confiscation was replaced by taxation in kind. Lastly, money again became of first importance. Taxation in money was partially reintroduced. The state required from its enterprises not produce but money, and both agriculture and industry concluded all their transactions in terms of money. "To struggle for a firm valuta," wrote Professor Yurovski, "is an iron necessity of our new economic environment. Either we must establish an economic system based upon firm valuta or once and for all give up all attempts to do so. As a living country we can only choose the first path. All possible energy must be concentrated upon the defence of the currency. Much has been said and much more will be said about the sacrifices necessary. This is a misunderstanding. From the point of view of the state there can be no sacrifice. Difficulties will be encountered by enterprises compelled to struggle for existence with such resources as they possess. But in reality reform does not demand sacrifice. It merely introduces favourable conditions in which the economic system as a whole may thrive."

CHAPTER XXVI

INFLATION—AN ABUNDANT HARVEST—LOSSES ON THE GRAIN MARKET (1924-25)

THE Bolsheviks regarded the financial year 1923-24 as a turning point. Therefore they entered upon the following year with confidence. For their optimism they had some ground. The budget deficit was lower by 60 million rubles, and was covered without currency emission. Then a new source of revenue was found. The vodka monopoly which existed under Tsarism was re-introduced as an experiment, and on the understanding that the revenue from it should be devoted to industry, in particular the metal industry. So impoverished had the state become that it could no longer sacrifice revenue for the sake of public morals; it had learned moreover that, in spite of prohibitory decrees, men somehow got hold of spirits and drank to excess. At one time Trotski had written: "Vodka and the church were used by the Tsar's government to enslave the working class. . . . It was only after the conquest of power by the working class that the fighting of alcoholism by educational measures and by prohibition received its due historic significance. . . . The abolition of the system by which the state encouraged people to drink is one of the assets of the revolution."

In May of 1925 a development occurred for which soviet rulers had longed since the introduction of the New Policy. Wholesale prices of agriculture and industry became equalised. Economists had said that whenever such a juxtaposition was brought about, exchange between town and country would become normal and

immeasurable progress follow. But the conditions under which equilibrium was achieved caused the looked-for advantages to be unattainable.

It was the rise of agricultural, not the fall of industrial prices that put the two upon a level; and this rise was due to insufficiency of grain reserve consequent upon a poor harvest in 1924. In such circumstances equalisation could only be short-lived. Towards the end of the Summer agricultural prices dropped and disparity returned.

At one time, owing to the acute shortage of cereals, it was found necessary to import three million poods of wheat and six million poods of rye.

The export of cereals was much below that of the preceding year. Only 10,179,296 poods of wheat and 12,347,362 poods of barley were exported. Yet in value agricultural exports as a whole increased by ninety million rubles. The reason for this increase was the enlargement of the exportation of agricultural commodities of secondary importance. In spite of this enlargement, and a substantial increase in the exportation of other commodities, rendered possible by large credits extended by English and German firms, an adverse balance on foreign trade returned again in 1924-25, amounting in current prices to 194 million rubles.

The state purchasing organisations succeeded in acquiring from the peasants only one-eighth of their total production of cereals. The prices offered for these cereals were inadequate, how inadequate may best be illustrated by a few figures:

In 1922-23 the peasants were paid only 20 per cent. of the export price of grain, compared with 80 per cent. which was their share under the old capitalist régime. The margin represented overhead charges and profits, the last item amounting to 53 per cent. In 1923-24 the peasants secured a larger share of the export price—73·3 per cent. But overhead charges went up from 26·5 per cent. to 41·3 per cent.; and the state suffered

losses. In 1925 overhead charges were reduced to 35 per cent., but the price paid to the peasants was raised by only 7 per cent. It was not therefore surprising that they sold as little grain as possible, only sufficient to enable them to pay taxes and purchase such articles as they could not make for themselves.

Despite the harsh bargains which it drove, the state incurred losses when it came to sell the grain on the world market in competition with the capitalist exporters of the United States and Canada. These losses were painful to bear, for money was needed for all purposes, but chiefly for industry, not only for expanding it, but also for maintaining it. If the last liquid asset, the shrunken gold reserve, were not to vanish altogether, money could only be obtained by increasing exports, and thus securing the stable currencies of capitalist states. Here the purpose of Bolshevism should not be lost sight of. This purpose was to regulate production to consumption, and so prepare for the day when each should receive according to his ability and needs. Planned production and managed currency were to be the pillars of the system. It was considered that capitalist production was chaotic, capitalist currency unscientific. Yet so far none of the familiar crises of capitalism had been eluded. In 1923 a "crisis of excess" occurred, now there was a crisis of insufficiency. Of approximation of production to consumption there still was no sign; indeed a contrary condition existed: the population was forced to approximate its consumption to a very inadequate production.

The situation was anxiously discussed in Bolshevik circles. None doubted the superiority of the soviet over the capitalist system; but the fact remained that such superiority had not yet shown itself in life. One school, of which Stalin was the leader, argued that the progress of socialist Russia was speedier than that of capitalist nations, but ignored the fact that it was as remote from the level which they had reached as were the Middle

Ages from the twentieth century. Whither progress was leading them none could say. Zinoviev put the question, but refrained from answering it. Many people thought that the country was definitely moving towards socialism. They had little else but faith to sustain them; for the facts of the situation admitted of a quite opposite interpretation.

In the meantime a new crisis was in preparation. A good harvest was anticipated in 1925. As was their custom whenever the least occasion for optimism arose, the Bolsheviks initiated grandiose projects, credits being lavishly bestowed upon state enterprises. The harvest came up to expectation, but did not justify this generous financing of industry. As a result of this extravagance 2 million more workers had been employed during the year, and the average yearly wage raised from 355 to 591 rubles. But the additional workers had little skill, and at the same time small improvement was effected in the productive capacity of plant. The consequences of all this mismanagement were serious. By the end of the year the currency in circulation reached 1,286 million rubles, an increase of 80 per cent. over the previous year, but industrial production increased only by 50 per cent. and the turnover of the trusts only by 40 per cent. In a word, state industry manufactured commodities at a much slower rate than the state mint manufactured money; and inflation, that nightmare of the past, returned. The official organ, *Economic Life*, said: "We have over-estimated our financial resources. We were prompted to do so by a desire to bring about the quickest possible development of our industries. As a consequence our monetary system began to suffer. Only after this system is cured shall we be able to make progress."

All the customary hardships of inflation were experienced. Prices went up, real earnings went down. Unemployment increased, and projects of development had to be hastily abandoned or curtailed, and imports

reduced. Some idea of the prices which prevailed at this time may be gained from the following comparisons:

In 1913 peasants of the Central Industrial Region could secure one arshin (2 feet 4 inches) of printed cotton material for the price of 6.6 lb. of grain. In November 1925 the purchase of the same quantity of material required the price of 14 lb. of grain. The corresponding figures for the peasants of the Ukraine were 7.1 lb. of grain in 1914 and 17.7 lb. of grain in 1925; and for the peasants of the Central Black Earth Region 8 lb. of grain in 1913 and 24 lb. of grain in 1925.

At the XIII Congress of the Communist Party Mrs. Krupskaya related the following: "Books are badly needed for the village schools. . . . The peasants of one village gathered 50 poods of rye. The teacher secured a horse and carried this store to town. He went from one state shop to another, but prices were so high he could buy nothing. Then he visited the market, where for the 50 poods of rye he managed to purchase twenty old lesson-books. When the peasants saw these books they spat upon them and said: 'No more money for books.' . . . An 'A.B.C.' cost 3 poods of grain, a history book 1 pood, and a pencil 10 lb."

The harvest of cereals in 1925 was the largest so far obtained under the Bolshevik régime. It amounted to 4,278 million poods, 1,000 million poods in excess of the total yield of the harvest of the previous year. The value of agricultural production as a whole reached 77.7 per cent. of the pre-war value. The production of large industry also showed notable expansion; its value doubled during the year and reached 70.6 of the pre-war value.

CHAPTER XXVII

FAILURE OF PLANNING—CONTROVERSY BETWEEN BOLSHEVIK LEADERS—THE PEASANTS AS CONQUERED COLONISTS—SURPLUS VALUE UNDER CAPITALISM AND UNDER BOLSHEVISM

INDUSTRY continued to yield deficits; a number of Bolshevik leaders were of opinion that fixed capital was depreciating at a faster rate than it could be replenished and that after nearly ten years of revolution the wealth of the nation was still declining.

Of diagnoses there were many. Various groups of communists offered plausible solutions. All agreed upon the need for industrialisation, all differed as to the means to be employed for raising the requisite funds. The truth was that no amplitude of immediately accessible wealth remained, and that the dissension always customary to poverty had broken out. Such poverty was the result of the contradiction of the system itself, which none of the remedies prescribed could possibly have removed.

One group, of which Krassin was spokesman, favoured a large foreign loan for the reconstruction of industry. The reply was made that the influx of foreign capital would lead to the influx of foreign influence, and in that event socialist Russia would have international capital to contend with, not merely abroad, but on her own territory.

Another group, of which Trotski was an exponent, advocated more centralised planning. It urged that whilst the independence of the trusts should be curbed, finance should be subordinated to industry. "The economic dictatorship must belong, not to finance, but to industry. . . . Not only exterior trade, but also the

establishing of a stable currency must be subjected to the interests of state industry," said Trotsky.

Furthermore, the opposition advocated that credits should be more evenly distributed, not, as was then the case, exhausted in the earlier parts of the year and contracted in the Autumn, when a large part of the harvest was realised. It was also opposed to the practice then followed of manipulating foreign trade with a view to securing a favourable balance, and thus replenishing the gold reserve. Such manipulation, it may be explained, consisted in the restriction of imports and the liberal exportation of goods on almost any terms that could be obtained, regardless of cost of production. The opposition argued that such a sacrifice was uncalled for and was weakening to industry. It urged also that goods, of which the supply was deficient and the prices were exorbitant, should be imported, the cost being met by foreign loans.

Though prices were exorbitant, they represented what was considered to be a minimum, above which it was decreed no more should be charged. But so vague a directive invited disregard; and as a matter of fact the trusts had frequently engaged in gross profiteering. The opposition thought that formal price-restrictions should be removed, and the trusts encouraged to secure maximum profits. It believed that at the same time it would be possible for prices to be lowered by reducing costs. Its purpose in making this proposal was to raise the revenue from state enterprises, thus removing the reproach that the socialist state depended upon other than socialist sources of wealth for its existence. But the fact was quite ignored that prices were already high, and mismanagement so deeply rooted that drastic reduction was out of the question.

It has been said that Trotsky and his adherents favoured more centralised planning. A summary has also been given of the proposals which they made. The arguments advanced during the controversy were important.

Planning, as has been pointed out before, was the essence of the Bolshevik system. At one time Lenin had no doubt that it could be achieved with but little effort and almost to perfection. "Book-keeping and control," he wrote in 1917, "are the chief things essential for the efficient functioning of the first phase of communist society.¹ All the citizens are transformed into hired employés of the state, which consists of armed workers; all the citizens become the workers and employés of one national syndicate. It simply resolves itself into a question of all working to an equal extent, all carrying out regularly the measure of work apportioned to them, and receiving equal pay. The book-keeping and control necessary for this have been simplified by capitalism to the utmost, until they have become the extraordinarily simple operations of watching, recording and issuing receipts within the reach of anyone who can read and write, and who knows the first four arithmetical rules."

From the moment when they seized power the Bolsheviks attempted to plan the whole of the economic system of Russia. But the task proved to be less simple than Lenin had supposed; for as time went on chaos deepened and orderliness seemed to be further off than ever. In 1921, when the New Economic Policy was introduced, planning was still regarded as the most important function of the state. Yet thereafter crisis upon crisis occurred. If chaos was less at this period than during communism, it was only because the New Policy permitted private enterprise within limits, and therefore by its nature and contrary to the theory of Bolshevism, imposed restraint upon planning. But Trotski saw in this circumstance the cause of the failure of the system. "Upon the leadership of centralised planning," he wrote in 1924, "wholly depends the fate of the revolution."² At the same time he recognised

¹ Elsewhere Lenin defined socialism as the first phase of communist society, and the New Policy as almost socialism.

² "New Course," by L. Trotski; Krassnia Nov, Moscow, 1924.

that because socialised economy was under the necessity of establishing links with individual economy—that is, with millions of small peasant producers—planning was an extremely complicated process. Such links were formed chiefly by light industry, which provided the village with manufactured commodities; heavy industry almost exclusively served the state, the army, the factories and the transport system.

Owing to the elemental character of peasant economy, planning was almost a futile task. Trotsky held that the state should influence this economy, striving “to squeeze it into the framework of a single centralised plan.” Yet he realised that many years would have to elapse before such purpose could be achieved, and thought that most probably success would only be assured when electrification became widespread. In the meantime, it was certain, he said, that state planning would more and more link up with peasant economy; hence care should be taken to see that it was adapted to the needs of the peasant market. Although this market developed elementally state industry must not do likewise. Owing to variations of weather and harvest, miscalculations would be unavoidable, and these miscalculations would be reflected in crises of insufficiency. But the fewer the crises the more it would become evident that “planned leadership” had penetrated into all branches of national economy.

There was no justification, remarked Trotsky, for the theory of Bernstein and Brentano that the autocracy of capitalist trusts would effectually regulate markets, and render industrial crises impossible. But in a workers’ state, which was “a trust of trusts, a bank of banks,” such an end was achievable. Again and again, Trotsky urged that the principal weapon in the struggle of socialised industry for leadership on the market was planning; and said that, if industry failed in this struggle, and if nationalisation proved to be an obstacle, instead of an aid to economic development, then the foundations of socialism

would collapse. He insisted that it was impossible to perfect separate branches of national economy ; and dwelt upon the urgent need for co-ordination which could only be brought about by centralised planning.

The official organ, *Pravda*, went further than Trotski, remarking that crises could be wholly prevented by planning. The attitude of the ruling Bolsheviks was summarised by Rykov :¹ The lack of co-ordination between town and village, he said, was not of recent experience. The Bolsheviks knew of it long before the October revolution. Russian capitalism struggled with it by bourgeois methods, but up to the time of the Dictatorship of the Proletariat had achieved less than western capitalism in co-ordinating industry and agriculture. The disharmony of these spheres was expressed in plain figures : 100 million inhabitants in the villages, 20 million inhabitants in the towns, only 5 million of whom were workers. Yet under the Tsarist régime Russia succeeded in exporting from 500 to 700 million poods of grain yearly, and secured large external loans. At the same time, foreign capitalists invested considerable sums in Russia, as a consequence of which industry expanded.

Rykov might have pointed out that foreign capital was no longer procurable, and that consequently the disharmony between town and village had increased. Instead he continued in these terms : "It is said that a dictatorship of factory production now exists in Russia. This is untrue. How can it be true when the number of factory workers is one-fortieth of the number of peasants ? There is a political but certainly not an economic dictatorship of the town proletariat. Disharmony between agriculture and industry is a damnable inheritance. Planning cannot remedy it. The only possible remedy is the development of the proletariat, the expansion of industry and electrification, the uplifting of agriculture. If economics could be planned there

¹ "The Next Object of Economic Policy," by A. Rykov, published by Krassnia Nov, Moscow, 1924.

would be no crises; planned leadership is the ideal of little bourgeois socialists, not of Marxists and proletarians. But it is imperative that the number of workers should speedily be increased. For this purpose it is necessary to accumulate means, to save every single kopeck."

It will be noted that during a decade of revolution the ideas of the ruling Bolsheviks as to the infallibility of planning had undergone change. Planned leadership was no longer the simple process which at one time they had thought it to be; it was "the ideal of little bourgeois socialists." What mattered above all else was capital, which the revolution had so recklessly destroyed. Without it industry could not be reconstructed, and the Dictatorship of the Proletariat established. But capital was needed at once, not in the remote future. Preobrajenski wrote an article on this subject in the *Messenger de l'Académie Communiste*. In this article, which attracted wide attention, he urged that socialism should act as capitalism had acted, that it should accumulate capital by the expropriation of small producers through the exercise of its monopoly powers. To these small producers—that is, the peasants—he applied the term "colonies." From these colonies, by means of high prices, capital or "surplus value" was to be extracted for the purpose of putting industry upon its feet, thus bringing about the extinction of private enterprise and assuring the final triumph of state ownership.

Preobrajenski saw the peasants as colonials conquered by the socialist state; and he wished them to be treated as such. Critics of Bolshevism would be inclined to agree with him. For such an attitude historical precedent is not wanting. Always the rulers of Russia have regarded the peasantry as did the Bolshevik publicist; and powerful amongst these rulers at all times were settlers of European or Asiatic origin.

"The more backward, petty bourgeois and agrarian a country in the process of transition to socialism," wrote Preobrajenski, "the smaller is the fund which the pro-

letariat inherits for its socialist accumulation at the time of the revolution. The more therefore will such a fund need to be strengthened by the exploitation of pre-socialist forms of economy, and the less will it be sustained by the surplus produce of the workers employed in socialist industry. . . . It is absurd to think that the socialist system and the system of private production, forming together a single system of national economy, can exist side by side, on a basis of economic equilibrium. Such equilibrium cannot be of long duration, for one system will absorb the other. There must be either retrogression or progress. . . . In the circumstances in which we are placed a price policy deliberately based upon the exploitation of private economy in all its forms is inevitable."

When Preobrajenski spoke of the exploitation of private economy he meant the exploitation chiefly of the peasantry. How did he propose that this exploitation should be accomplished? He disliked the pressure of taxation, but only because he thought that it might lead to a rupture between peasantry and proletariat. As an alternative he urged the use of the weapon of prices, that in effect the village should be plundered by indirect rather than direct methods. But there was no reason to suppose that had his plan been followed a rupture would have been avoided, any more than if confiscatory taxation had been employed. This rupture might have been slower perhaps in coming, but to think that it could be averted altogether was to disregard the character of the peasant and all the lessons of the recent past.

Preobrajenski was accused of wishing to set the peasantry against the proletariat, of advocating a resumption of the civil strife that prevailed in the days of War Communism. His critics rightly said that any attempt to impose heavier prices upon the village would defeat its purpose, inasmuch as it would lead to severe restriction of demand. But it proved more easy for the party to reject Preobrajenski's counsel than to ignore the principle under-

lying it. With socialised industry bankrupt, the gold reserve depleted, foreign capital unprocurable, the rich bourgeoisie extinct, the régime could not have survived had it not exploited the peasants. The evil which was foretold if Preobrajenski's plan were accepted had always existed, and it continued to exist and even to grow.

The exploitation of the peasantry was accomplished by means of emission, prices and taxation. It was impossible to say how much the state secured from the first two sources; the amount, whatever it was, must have been great. But official information is available in regard to taxation.¹ In 1913 taxation per capita of the peasantry was 5 rubles 28 kopecks; in 1921-22, 3 rubles 26 kopecks. Although the amount of taxation was thus lower under Bolshevism than under Tsarism, its burden was heavier. In 1913 the proportion of taxation to per capita gross income was 5·6 per cent.; in 1921-22, 9 per cent. But it was pointed out that prior to the revolution the peasants were charged for rents, and that if the sums paid were calculated as taxation, then the proportions in the two years would approximate. Even so, taxation was still harder to bear under Bolshevism than under Tsarism; for income per capita had decreased from 94·50 rubles in 1913 to 66 rubles in 1921-22. Of the total revenue derived from taxation in the last-mentioned year the peasantry contributed 71 per cent.

In 1922-23 the taxation of the peasantry was raised by 17 per cent., and the proportion of taxation to income increased from 9 per cent. to 10·5 per cent.

Under Bolshevism, as we have seen, the only sources available for industrial expansion were the exploitation of private enterprise by means of prices, taxation—that is, of the peasantry chiefly—and currency emission. Under capitalism the means for industrial expansion were derived from profit. According to Marxists, profit in turn was derived from surplus value—in other words,

¹ "Peoples and State Economics, 1922-23," by the Commissariat of Finance, Moscow, 1923.

from value which the worker produced over and above that essential for his own subsistence. Capital value created surplus value, surplus value created capital value. Upon such arguments was based the whole theory of the iniquity of capitalism and the enslavement of the working classes. Marxists did not deny that the acquisition of surplus value required capacity, but such capacity, they said, was exclusively anti-social in character; neither did they contemplate that under socialism surplus value should not exist. Marx urged that a reserve fund must be built up from the proceeds of social labour for meeting the expenditure indispensable for the renovation and expansion of industry, and for the management of society generally. He therefore presupposed the production of surplus value, but in the interest of the community, not of the individual. He also presupposed that under socialism industry would be managed much more efficiently than under capitalism; and predicted that ample funds would then become available for expansion, and production would increase by leaps and bounds.

Under Bolshevism, as under capitalism, surplus value was produced. Marx calculated that the worker worked one half of the day for himself, the other half producing surplus value for the capitalist.¹ In Soviet Russia the worker worked one half of the day for himself, the other half producing surplus value for the state; he worked almost as many hours during the year, and during those hours as intensively, as did the workers of most

¹ According to Marx, the worker spends one half of the day in producing the value of the necessities that he daily requires on an average. . . . "If, instead of working for the capitalist, he worked independently on his own account, he would, other things being equal, still be obliged to labour for the same number of hours, in order to produce the value of his labour-power, and thereby to gain the means of subsistence necessary for his conservation or continued reproduction. . . . During the second period of the labour process, that in which his labour is no longer necessary labour, the worker, it is true, labours, expends labour-power; but his labour being no longer necessary labour, he creates no value for himself. He creates surplus value which for the capitalist has all the charms of creation out of nothing."

capitalist countries. But the surplus value which he created was disposed of in a manner different from that prevailing in capitalist countries; in the one case it was appropriated by the state, in the other by individuals. The method of its realisation was also unique. No clear profit whatever was derived from it; state industry showed continuous loss. What then, it will be asked, became of the surplus value created by the worker? The answer is that it was absorbed mainly by high costs. The chief cause of these high costs was extravagant management; a secondary cause was the excessive contributions which in the form of taxation and other levies state industry was required to contribute to the state treasury. It followed automatically that high prices had to be exacted for all manufactured commodities. In common with the rest of the population, the workers who produced these commodities were thus heavily penalised. Consequently much of the surplus value which they created was dissipated in defraying the cost of the bureaucracy and its blunders; and state industry yielded no clear profit.

Whence, then, could be found the means wherewith to support and strengthen industry? The only possible source was individual enterprise; and individual enterprise meant chiefly peasant enterprise. Socialist industry could therefore survive only at the expense of private industry; the proletarian was a dependant of the peasant. With few exceptions, the peasants did not produce any surplus value for masters. They worked in individual households, it is true; but from this circumstance they gained nothing. Relieved from the necessity for producing surplus value for a master, they were required to produce it for a state. It could even be said that most of them were worse off than they would have been under averagely-good employers, for the demands of the state for surplus value were not merely high, but were harshly exacted, and in order to satisfy these demands the peasants suffered severe deprivation. Bolsheviks argued that

surplus value appropriated by the state was surplus value appropriated for the benefit of the masses. When reminded that the peasants gained little as a consequence, they answered that in the future it would be otherwise. In this reply was enveloped the essence of the Bolshevik creed : everything for the future !

The criticism of various groups had little consequence. The government continued to plan economy, life to upset this planning. Neither finance nor industry could dictate conditions of development. Prominent communists disputed amongst themselves as to policies, but the course of the revolution was determined by the conduct of millions of insignificant people. Whilst verbally rejecting the counsel of the opposition, the government was frequently compelled to follow it ; but much of this counsel was irrelevant, because already it had been acted upon up to the limits of safety. Caged within a system, the Bolsheviks had no other outlet for their emotions than to bicker one another.

END OF VOL. I.

